



Daily Report

China

FBIS-CHI-93-138
Wednesday
21 July 1993

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FBIS-CHI-93-138

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21 July 1993

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General

Spokesman Reaffirms Denial of Missile Sales to Pakistan

OW2107101693 Tokyo KYODO in English 1002 GMT 21 Jul 93

[Text] Beijing, July 21 KYODO—China reaffirmed its denial of selling missile technology to Pakistan as "sheer fabrication" on Wednesday [21 July], four days before high-level talks with the United States in Singapore.

"We have stated our position on the M-11 missile question many times and we hope that the American side does not deliberately complicate the issue," a Foreign Ministry spokesman said.

The statement came in response to a Tuesday [20 July] report which quoted an unnamed U.S. official in Washington as saying that the U.S. was close to imposing sanctions over the missile sales.

U.S. State Department spokesman Mike McCurry confirmed Tuesday that Secretary of State Warren Christopher would bring up the question of Chinese missile sales to Pakistan when he meets Chinese Foreign Minister Qian Qichen on Sunday [25 July] in Singapore.

"We've monitored the issue of the possible transshipment of M-11's (missiles), and that's something that we have obviously analyzed very closely," McCurry said, adding that the U.S. has additional questions it wants to ask China.

Washington has accused China of selling ballistic missile technology capable of carrying weapons of mass destruction to Pakistan, Syria and Iran, saying that such technology transfers violate international guidelines set out in the Missile Technology Control Regime (MTCR).

China's last denial of missile sales came on June 30 when it said it abides by the guidelines of MTCR.

When asked if sanctions were close to being imposed, McCurry said, "sanctions are imposed once there's a determination that we find a certain transshipment of items has occurred, and to my knowledge, we've not determined that."

Column Cites U.S. 'Offense' on Arms Sales

HK2107101593 Hong Kong HSIN WAN PAO in Chinese 21 Jul 93 p 3

["Evening Talk" column by Yang Chu (5017 2612): "Stern in Voice and Countenance, the United States Makes Mischief"]

[Text] The United States has once again offended China.

One offense is that the U.S. Senate Foreign Relations Committee has adopted a resolution to lift restrictions on arms sales to Taiwan.

A joint communique between China and the United States in 1982 announced that weapons sold by the United States to Taiwan henceforth would not exceed, either in quality or in quantity, the level of U.S. arms sales to Taiwan each year since the two countries established diplomatic relations in 1979.

The United States also promised to reduce its volume of arms sales to Taiwan incrementally. The State Department revealed after publishing the Sino-U.S. Joint Communique that the volume of arms sales to Taiwan in 1982 was \$820 million. This should have been reduced by \$20 million each year since then, and the arms trade between the United States and Taiwan should have been reduced to \$620 million by 1992.

When President Bush was in office, he promised to sell 150 F-16 jet fighters to Taiwan and broke these restrictions.

The resolution now adopted by the U.S. Senate Foreign Relations Committee is even more serious than Bush's action. It totally revokes the restrictions and tears up the agreement reached between China and the United States.

This resolution has still to be passed by the House of Representatives.

Another offense against China is that the United States has announced brazenly that if China persists in selling missiles to Pakistan regardless of international agreements, the United States may impose economic sanctions on China.

The so-called international agreement refers to a decision made by the United States and other countries, whereby the supply of missiles to Pakistan with a range exceeding 300 km and a warhead exceeding 500 kg is prohibited.

China is not a signatory state to this agreement.

As China did not say it had supplied missiles to Pakistan, but insisted that it would continue with such supplies, is it an appropriate attitude for the United States to make intimidating remarks with animated gestures like these? [sentence as published]

According to the latest information published by the U.S. Congress yesterday, U.S. sales to the Third World arms market in 1992 reached \$13.6 billion, taking first place among the world's arms exporting countries, and monopolizing 56.8 percent of total sales; while China, as stated by this U.S. information, only transacted business amounting to \$100 million, holding 10th place.

The United States is stern in voice and countenance at such a trifling arms business of another country. Actually, the United States is the biggest arms dealer in the world. This is what we call "the magistrates are free to burn down houses while the common people are forbidden even to light lamps." How outrageous this is!

Spokesman on 'Progress' in U.S.-DPRK Talks
HK2007121293 Beijing ZHONGGUO XINWEN SHE
in Chinese 1149 GMT 20 Jul 93

[Text] Beijing, 20 Jul (ZHONGGUO XINWEN SHE)—In response to a reporter's request for comment on the accord reached between the United States and the DPRK on nuclear inspections, the Foreign Ministry spokesman stated today that the Chinese Government welcomes the active progress achieved in the Geneva talks between the DPRK and the United States and hopes that all sides concerned would continue to make joint efforts in a pragmatic and constructive spirit to seek a proper solution to the DPRK's nuclear problems.

XINHUA 'Roundup' on Talks

OW2107033093 Beijing XINHUA in English 0309
GMT 21 Jul 93

["Roundup: Great Progress Achieved in DPRK-U.S. Talks" —XINHUA headline]

[Text] Pyongyang, July 21 (XINHUA)—Great progress was achieved in the second round of talks between the Democratic People's Republic of Korea (DPRK) and the United States in Geneva, which concluded on Monday, according to a press release from the DPRK delegation.

First, both sides reconfirmed the principles in a joint statement on June 11 in the first round of talks in New York. In particular, the United States pledged again not to use or threaten to use force, including nuclear arms.

Second, the DPRK, to make its non-nuclear peace policy clearer to the outside world, ruled out any intention to develop nuclear weapons.

Third, the DPRK expressed its willingness to discuss with the International Atomic Energy Agency (IAEA) the implementation of the nuclear security article of the IAEA. This will provide an opportunity to draw closer the DPRK and IAEA on the question of nuclear inspection in the DPRK.

Fourth, both the DPRK and the United States reaffirmed the significance of the North-South joint non-nuclear declaration for the Korean peninsula. The implementation of the declaration was put aside because of the suspension of South-North Korean talks.

In Geneva, the DPRK said it was ready to resume the inter-Korean talks as early as possible.

Finally, both DPRK and the United States agreed to hold another round of talks within two months to continue discussion on the nuclear issue and an all-round improvement of bilateral relations. This makes it possible to unfreeze and improve the relations which have been hostile for decades.

All the progress was made on the basis of the achievements obtained in the New York talks between June 2 to 11. On June 11, the DPRK announced that it was

suspending a decision to withdraw from the Nuclear Non-Proliferation Treaty just one day before it would take effect.

Head of the DPRK delegation, Deputy Foreign Minister Kang Sok-chu, said the talks were "serious" and "constructive," while the U.S. side described them as "conductive" and "smooth."

Envoy Urges Technology Transfers at UN Forum

OW2107062493 Beijing XINHUA in English 0503
GMT 21 Jul 93

[Text] Geneva, July 20 (XINHUA)—China is urging developed countries to provide more financial resources and technology to help developing countries protect the environment and achieve sustainable development.

The call was made by Chinese Ambassador Hou Zhitong at the 1993 session of the U.N. Economic and Social Council (ECOSOC) when referring to sustainable development.

Implementation of Agenda 21 was discussed at the session. Agenda 21 is a program achieved during the 1992 earth summit in Rio for protecting the environment and achieving sustainable development.

Developing countries demand non-commercial transfer of technologies from the developed countries and greater financial assistance to see them implemented.

"Smooth implementation" of Agenda 21 will depend on improvement in a currently unfavorable international economic environment, Hou noted.

It also depends on the developed countries providing adequate, new and additional financial resources as well as non-commercial transfers of technology to developing countries, Hou added.

He stressed that China as always will make its efforts with various countries and relevant international agencies, and will make its own contribution to implementation of various resolutions by the U.N. Conference on Environment and Development.

Speaking at the Monday [19 July] session, a representative from Madagascar recognized the urgent need to promote sustainable development and protect the environment.

"Implementation of Agenda 21 should bring benefits to the developing world by solving economic and social problems," said the representative.

Ahmed Amazianne, a representative from Morocco, noted that all had agreed to implement Agenda 21 at the national level.

However, he stressed that there is need to have information from all countries, particularly from developed countries, concerning technology transfer.

Background, Challenges of GATT Reentry Viewed
HK2107085893 Beijing GUOJI SHANGBAO in Chinese
19 Jun 93 pp 1, 3

[Article by Long Yongtu (7893 3057 0956): "Challenge of China's Readmission to GATT—GATT and China's Socialist Market"]

[Text] "Reentry into GATT" is a condensed phrase people are using these days to describe China's efforts to regain its status as a signatory state to the General Agreement on Tariffs and Trade. This expression depicts vividly the profound significance of China's resumption of GATT status, showing the courage and determination of the Chinese nation in meeting great challenges head on. It is precisely because of the conciseness and profoundness of the phrase that "reentry into GATT" has become a hot topic for people and the mass media in recent years.

When talking about "reentry into GATT," people naturally will recall a tough diplomatic battle we victoriously fought under the personal command of Chairman Mao and Premier Zhou over two decades ago. That battle lasted for several years, during which China surmounted every difficulty and finally won the victory of resuming its legitimate seat in the United Nations. During those years, a "United Nations craze" was set off in China, while a "China craze" swept over the world. China's resumption of its legitimate seat in the United Nations marked the return of China to the world's political and diplomatic arena, as well as an unprecedented enhancement of China's status in the international community. Following its return to the United Nations, China resumed, one after another, its legitimate seats in dozens of international economic organizations and special organs affiliated to the United Nations. Due to China's closed economic policy in those days, however, and its failure to regard economic development as a central task for its national work, China's entry into international economic organizations did not attract much attention.

Starting in 1986, China began seeking resumption of its status as a signatory state to GATT. At that time, China regarded talks concerning its resumption of GATT status as a diplomatic battle, the ultimate goal of which was to enable China to return to the last major international economic and trade organization. As it viewed the talks as a mere diplomatic battle, China sent only a small negotiating group to Geneva for this purpose. As a result, few knew clearly in those days the progress of talks concerning the resumption of China's GATT status.

During the first several years of the talks, our negotiating group sent to Geneva was faced with an extremely difficult situation. The greatest difficulty for them was that GATT regards the market as the highest norm for itself as an international organization, and also for its entire set of rules and regulations guiding international economy and trade. The market economy was a forbidden word to us in those years, however, and the mere mention of the topic would make people blanch. As no

breakthrough could possibly be made on the fundamental issue of the market economy, the talks were limited to studies on strategic changes and on proper uses of certain words. This determined that the talks had to remain in a deadlock.

This situation lasted until 1992, when Comrade Deng Xiaoping, with a proletarian revolutionary's boldness of vision, called on people during his trip to southern China to break free of the traditional concept that the socialist economy relies basically on the planned economy, while the capitalist economy's main feature is the market economy. Meanwhile, he put forward a wise thesis that the market economy can be put into practice under socialist conditions, too. This comprehensive ideological emancipation not only has shaken off the spiritual shackles of China's traditional economic system, but also freed our negotiators in the GATT Building in Geneva. Only at this time did the Chinese negotiators find a common language with their foreign counterparts on the topic of the market economy, and only at this time did the talks begin to enter a new phase of meaningful conversations.

Meanwhile, the Chinese negotiators all were aware of the fact that China's return to GATT bears profound and far-reaching significance for the readjustment of China's domestic economic system and industrial structure. To succeed in resuming China's GATT status, talks with foreign counterparts should be coordinated closely with preparations back home. In view of this, our comrades working on the economic and trade front, as well as our GATT experts freed themselves from the taboo that forbade "any mention of the market economy," boldly geared themselves to the demands of society, and did their utmost to publicize China's efforts toward resuming its GATT status. In essence, they strove to make China's market gradually function in harmony with the world market, and China's economy gradually converge with that of the world. Yet such "harmony" and "convergence" could be attained only under the precondition that China practice the market economy. In the wake of the 14th party congress, at which the lofty goal of building a socialist economy was formally put forward, our people have followed the talks on the resumption of China's GATT status with close interest. They also have carried out heated discussions on many major issues concerning the subject, including ways to deepen economic structural reform, accelerate the pace of opening up, and meet the challenge of the world market. When studying and discussing the grand subject of building a socialist market economy, people gradually have realized that if the resumption of China's GATT status is considered as a task to tackle a major difficulty, this major difficulty refers to our convergence with the world's market economy. Under the enormous influence of Comrade Deng Xiaoping's remarks and the 14th party congress, the political and diplomatic subject of regaining China's GATT status now has become an economic subject that has a bearing on China's great cause of reform and opening up. Efforts to link China's

efforts to rejoin GATT with its goal of building up a socialist market economy not only will give a rich connotation to China's move to regain its GATT status, but also can provide us with new experience in making political and diplomatic struggles serve the central task of economic development.

Challenges Brought on by Resumption of GATT Status—China's Economy Is Heading for the Market

According to GATT stipulations, any country or region intending to join should allow GATT to assess its economic and trade system first. This is because GATT is an organization with a strong contractual nature, which is why its members are not called "member states" but "signatory parties"—the contracting parties. The "contract" here refers to the entire set of international rules and regulations GATT has worked out over the past 40 years for the management, control, and regulation of international economic and trade operations. Owing to its contractual nature, before it accepts a new signatory party, GATT first should define whether or not the applicant possesses the basic conditions to abide by GATT's entire set of international rules and regulations. To GATT, this basic condition is that the applicant must practice a market economic system. Since almost all GATT signatory parties are running their economies according to the basic laws and rules of the market economy, if a new signatory party rejects the market economy, it will virtually dissociate itself from the world market under the management of GATT, and will become a symbolic nominal signatory party.

To assess China's qualification for resuming its GATT status, GATT set up in November 1987 a "China Working Group" responsible for evaluating China's economic and trade system.

According to old concepts we had in the past, China would not allow any foreign countries in international organizations to make evaluations of its economic and trade system, for China deemed such moves as "interference in China's internal affairs." By 1987, however, China had been open to the outside world for nearly 10 years, and we gradually realized at that time that in order to open the country to the outside world, we first should let the outside world understand China, including China's economic and trade system. What is more, such an evaluation of economic and trade systems is simply a general practice of GATT designed for all its signatory parties. With this in mind, the Chinese negotiating group began to go through the "evaluation" procedures in Geneva, which meant that they had to face numerous questions raised by over 100 GATT signatory parties. The entire "evaluation" process proved very difficult for our negotiators.

The greatest difficulty facing the Chinese negotiators at the moment was: What was the proper explanation of China's current economic system? On the one hand, we could not say that what we were practicing was exactly the market economy. On the other hand, to persuade

GATT to resume China's status at an early date, we must give convincing evidence that China had the ability to implement the international laws and rules GATT had drawn up on the basis of the market economy.

In those days, we listed China's economic system as "a commodity economic system that combines the planned economy with market regulation." This new formulation gave rise to countless questions. Some people held that an economic operation that relied mainly on the planned economy at one time and on the market at another eventually would lead to instability and unpredictability of the economic system. Others noted that a basic economic operational mechanism should be dominated either by the planned economy or the market economy, and it is totally impossible for the two to be combined.

In the face of all these questions, the Chinese negotiators tried their best to convince people that planning can be combined with the market. At the same time, however, they asked themselves this question: What is the basic law binding the entire economic operation in China and what is the basic operational mechanism determined by this law?

Many GATT signatory parties pointed out that the basic law binding the entire economic operation of today's world economy, which evolved from socialized production, is market rules and the law of value; therefore the mechanism of economic operation can be nothing other than the market economy. China should not be an exception; otherwise its economic operation was following another set of rules and laws. If this were the case, it would be hard for China to join the world economic system and China did not possess the preconditions for rejoining GATT.

This indeed was a penetrating "evaluation" of China's economic system.

Over a long period time, we found this judgment unacceptable. It was not until Comrade Deng Xiaoping made his remarks during his southern trip, as well as the convocation of the 14th party congress, that we gradually realized that to set up a basic operational mechanism for our economy, we must make a choice between the market economy and the planned economy, and the criterion for this choice is whether or not we should abide by the objective law of the economy. We also realized that no matter what country they are in and what social system they are under, the market rules, law of value, and competition mechanism of economic operation are objective laws, independent of man's will. On the other hand, planning is a subjective behavior that is employed by a country as a means to regulate its economic operation. If planning has to be combined with anything, it should be combined with the country's financial, taxation, price, and monetary policies, and thus become one of the country's major means to control and regulate the market economy. When it comes to the basic economic operational mechanism, however, the

market economy and the planned economy cannot be mentioned in the same breath

Thanks to this major breakthrough in ideology and understanding, following the conclusion of the 14th party congress our negotiators in Geneva made a solemn announcement at a GATT China Working Group meeting last year: The ultimate goal of China's economic restructuring is to build up a socialist market economy, and there is no fundamental difference in general characteristics between the socialist market economy being practiced in China and the market economy being practiced in capitalist countries. What is different is that China's market economy is carried out under the socialist system. That the market economy can be practiced under different political and social systems is a breakthrough in economic theory which has evoked enormous repercussions in GATT, an international economic and trade organization that believes only in the market economy. The concept that socialist China, too, can practice the market economy has enabled China to take a decisive step not only toward its reentry into the international organization of GATT, but also toward its integration with the world's economy. By now, since the theoretical and ideological obstacles concerning the "convergence" of China's economy with the world's economy are already wiped out, China's opening up thus has entered a new phase, and the "convergence" is only a matter of time.

Challenges Brought on by Resumption of GATT Status—Chinese Enterprises Move Toward World Markets

According to GATT stipulations, when a country or a region joins GATT, it must sign a protocol and hold a series of talks on tariff and nontariff reductions with each of GATT's signatory parties. Through their talks with China, the GATT signatory parties will seek to make China reduce its tariffs comprehensively; gradually reduce its nontariff measures, such as import licenses, quotas, examination and approval, and planning; and eventually open its market wider to the outside world. Meanwhile, according to the principle on rights and obligations, after it rejoins GATT China can enjoy various trade preferences gained by all signatory parties over the past over 40 years. This can enable China to enter the world market more extensively.

It is undoubtedly a twofold challenge to Chinese enterprises to open China's market to foreign countries while striving to enter the world's market. Of course, opening China's market does not mean to "open wide the door of our nation" and "let foreign-made goods dominate our market." Our negotiators in GATT will work out an internationally standardized tariff rate system in line with China's economic development strategies and industrial policies, and retain necessary nontariff measures on a number of imported products in light of China's national conditions. However, GATT does not allow any signatory party to give long-term protection to

its own industries. To those that really need such protection, GATT also demands that they submit a deadline by which such protection can be terminated. Last year's Sino-U.S. market access talks can virtually be viewed as a skirmish for talks on tariff and nontariff reductions concerning China's reentry into GATT. After the talks, China promised to honor a timetable concerning disuse of import permits on a series of products. Consider Xerox machines, for example. China promised to stop the practice of issuing import permits for Xerox machines three years later. This means that the country has showed the "yellow card" to its Xerox machine manufacturing industry. Within the coming three years the industry must complete its structural readjustment and technical renewal, lower the cost of production, improve the quality of its products, and prepare itself for extensive competition in the world market and with Xerox machine manufacturing industries of foreign countries three years later. The outcome of such competition will determine the fate of China's Xerox machine manufacturing industry. In the future, China will carry out extensive tariff and nontariff talks with all GATT signatory parties, and through these talks, will list more products in the country's timetable on the termination of state protection. This timetable undoubtedly will give the vast numbers of Chinese industrial departments an unprecedented sense of urgency, and urge them to step up their efforts to take part in international competition.

Many people cannot help wondering if China, as a developing country, can stand up to all the trials posed by international market competition.

Bearing this question in mind, our negotiators in Geneva consulted representatives of many developing countries about their historical experience in joining GATT. Although their lessons and experiences vary from each other's, all these countries have come to the same conclusion: Entry into GATT has never led to the decline and bankruptcy of national industries in any developing country. The reason is simple: Every country has its tariff and domestic laws to guard its national industries. What is more important is that under the market economy, the superior survives while the inferior is eliminated. As a result, a number of animated enterprises will emerge to push forward the development of the entire economy and standardize the entire industrial structure. Representatives from a Latin American developing country told us that they had many worries before they joined GATT, and even after GATT agreed to take the country in, they still hesitated outside the door of GATT for seven years. What worried them was that their entry into GATT would result in the collapse of their national industries. After they joined GATT, however, they discovered that their enterprises were performing unexpectedly well. Highly competitive enterprises removed major obstacles and succeeded in entering international markets within a short period of time; less competitive ones tried their utmost to cooperate with foreign investors with a view to expanding themselves; while enterprises lacking the ability to compete with

others geared themselves to the tertiary industries. For instance, toy manufacturing companies were rapidly turned into companies dealing in toys. Of course, some enterprises went bankrupt, yet the total unemployment rate caused by these bankruptcies was no higher than the figure recorded before the country joined GATT. In their words, the process of joining GATT was a "catalytic promoter" for their economic reform and industrial structural readjustment. As a result, their enterprises became more competitive after the country joined GATT.

Different from many other developing countries, China enjoys its own distinctive superiorities and is encountering special challenges when going through various trials before joining GATT. Our major superiority lies in our socialist system. In the face of the impact produced by foreign-made products and the various social problems they may bring about, our system has a greater flexibility to assimilate, digest, and solve these problems.

The special challenge we currently face is whether or not our governments at all levels, under the existing economic and management systems, can change their concepts, simplify administrative procedures, grant more autonomy to lower levels, and enable our enterprises to become real equity bodies that are independent in managing their own affairs during the process of gradually setting up an entire set of market rules. A large team of independent and buoyant enterprises that pursue high economic returns is crucial to the establishment of the market economy, and also crucial to China in its effort to occupy an invincible position in the world's market competition.

Our Chinese nation is diligent and determined, and its creativity and managerial capability are universally acclaimed. Through reform, our enterprises can obtain the autonomy and mechanisms to take part in comprehensive competition on an equal footing, and through opening up—especially after China regains its GATT status—our enterprises will be further provided with opportunities and equal conditions to take part in world market competition more extensively. By that time, the entire world will be astonished to see that Chinese enterprises and entrepreneurs are entering the world market and are prepared to go through various trials in market competition with unprecedented vigor. It is of a far-reaching significance to enhance the quality of both Chinese enterprises and the Chinese nation through China's efforts to regain its GATT status.

Challenges Brought on by Resumption of GATT Status—China Is Drawing Close to the Operational Rules of the World Market

GATT is not only an international economic and trade organization, but also represents an entire set of international rules that standardize the entire operation of the world market. Since its founding four decades ago, GATT has reached numerous international agreements and treaties and has drawn up various regulations

through eight rounds of multilateral trade talks. The ongoing Uruguay Round of talks also will end in a large batch of new international treaties and regulations. As the operational scale of the world market keeps expanding, it is an inexorable trend that international economic and trade development is deepening continuously, new problems are cropping up in an endless stream, and new market rules have to be worked out on a constant basis.

In view of this key feature of GATT, China's resumption of GATT status virtually has a twofold meaning. Apart from the significance of our return to the world's most influential international economic and trade organization, China's resumption of GATT status also means that we are to promise to accord our foreign-related economic and trade work with the international rules set by GATT. To act according to international rules, we need to work out a set of compatible domestic economic laws. Our negotiators in Geneva have met with many difficulties in this aspect. By far, China has not yet had a "foreign trade law," not to mention other detailed laws and regulations, such as an "antidumping law" and an "antisubsidy law." The situation featured by imperfect laws has placed us in a disadvantageous position in dealing with bilateral international economic and trade relations, and also has hindered us in making full use of laws as a weapon in the process of talks concerning China's return to GATT.

Speeding up economic legislation is an issue that needs to be dealt with when China tries to resume its GATT status, yet what is more important is that this task is in keeping with our goal of building up a socialist market economy. Today, people have become more and more aware of a truth: The market economy is a legalized economy, and any success in the market economy in our times has to rely on the formulation and implementation of an entire set of laws and regulations to secure market order. Only in such a way can government, enterprises, and individuals use laws to standardize their behavior. It was completely correct for the Eighth National People's Congress, which was concluded recently, to list the work of expediting economic legislation as a top priority task for the present stage. This decision certainly will help accelerate the process of China's resumption of GATT status. China's rapid formulation of market rules and regulations that are compatible with customary international practice will accelerate the country's opening up, and will create the most important conditions for the convergence of China's market with that of the world.

Challenges Brought on by Resumption of GATT Status—China Persistently Takes to the Socialist Road

Ever since China announced its goal of building up a socialist market economy at a GATT China Working Group meeting, most signatory parties consider conditions ripe for China to reenter GATT. The vast numbers of developing countries, in particular, have urged the China Working Group to speed up the process of talks concerning China's early resumption of its status as a

GATT signatory state. A handful of Western signatory parties, however, continue to create obstacles to put off such talks. They also have spread passive views and ideas concerning China's reentry into GATT. Their various excuses boil down to their doubts as to whether China really can put the market economy into practice under the conditions of public ownership. This, beyond any doubt, is a habitual practice to politicize economic and trade issues, and politicization itself is a practice that runs directly counter to the aim and principles of GATT as an international economic and trade organization.

Owing to the fact that the market economy was born in a society under private ownership, these apologists of Western private ownership without doubt regard the market economy as their exclusive "patent." As a matter of fact, the birth and development of the market economy are not credited to the ownership of the means of production. As long as the development of the commodity economy reaches the stage of socialized general production, the entire economy, no matter what the form of ownership involved, will operate in accordance with one objective economic law: the law of the market economy.

The greatest challenge China faces when trying to resume its GATT status is to explode the Western capitalists' myth of monopolizing the market economy.

While admitting that it an arduous and complicated task, we should be confident that a socialist market economy can be built up in China. Facts have proved that through expediting the transformation of state-owned enterprises' operational mechanism, paying close attention to price reform, actively improving market rules and regulations, promoting and perfecting the market system; through transforming government functions; and through improving and strengthening macro-economic control and regulation, we have made major headway in setting up a socialist market economic system. At a time when the Western capitalist countries, in which the market economy is practiced, are caught in a protracted economic depression, socialist China, which is heading for the market economy, is enjoying booming economic development and the vast China market is attracting the attention of more and more countries. Is this not perfect proof that a socialist market economy is a reality? A reality full of vitality which undergoes constant development? Those people who have been engaged in placing obstacles, in an attempt to shut China outside the door of GATT, by now should have seen with their own eyes that China's socialist market economy now is pushing forward the development of the world's economy vigorously. GATT Director General Arthur Dunkel pointed out recently: China's market has become the most active part of the world market, and it is unwise to shut China, which enjoys a huge market potential, outside the door of GATT. Both GATT and the world market will pale into insignificance at the loss of the vast China market.

We have confidence that China's status as a GATT signatory state surely can be resumed in the near future.

In 1949, under the leadership of Comrade Mao Zedong, the Chinese people stood on their own feet on the ruins of Old China, and accomplished the grand goal of being politically independent in the family of nations. Today, under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, we have the confidence to overcome all difficulties, make the socialist market economy a reality, make it possible for China to take part in the world's economic operation and compete in the world market comprehensively, and fulfill the historical mission of enabling China to become economically independent in the family of nations. With our rapid economic growth and the constant improvement of our people's living standards we will prove to the entire world that China not only is able to build up the market economy under socialist conditions, but that it will outdo those under capitalist conditions.

Dialectics believes that challenge and opportunity always exist side by side. In the process of resuming China's status as a GATT signatory state, we face a series of challenges on the one hand, and are provided with opportunities to comprehensively develop China's economy on the other. Socialist China has the determination and ability to meet challenges, seize opportunities, and break into the world market. This is our faith in striving to resume our GATT status.

Jiang Zemin, Qiao Shi Inscribe for Journal

OW2007140493 Beijing XINHUA in English 1342
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—Chinese leaders Jiang Zemin and Qiao Shi wrote inscriptions to mark the 10th anniversary of the founding of the "WORLD AFFAIRS" pictorial early this week.

Chinese President Jiang Zemin wrote: "You have scored tremendous achievements over the past decade by deriving nourishment from the civilization of mankind. I hope you will try to contribute to reform and opening to the outside world and scale to new heights."

Qiao Shi, chairman of the Standing Committee of the National People's Congress, China's legislature, wrote: "Let China understand the world, present China to the world, promote reform and opening to the outside world, and serve China's modernization drive."

Over the past ten years, the "WORLD AFFAIRS" pictorial has published 121 issues and over 10,000 pictures. These photographs cover topics ranging from political affairs, culture, art and history to geography and the local customs of peoples in different areas of the world. The pictorial has also published photos of statesmen, scholars, sports stars, movie stars and popular singers.

United States & Canada

Groups Support President Clinton on NAFTA

OW2007024893 Beijing XINHUA in English 0226
GMT 20 Jul 93

[Text] Washington, July 19 (XINHUA)—Twelve trade and business groups voiced support for efforts by the Clinton administration to overturn a recent court decision on the North America Free Trade Agreement (NAFTA).

Recently, the U.S. district court ruled that NAFTA could not be submitted to Congress for approval until an environmental report is prepared. If the ruling stands, congressional approval for the agreement could be delayed.

The business coalition told the U.S. Court of Appeals that in this case, the courts do not have the authority to order an environmental impact statement.

The U.S. Chamber of Commerce, which has 215,000 mostly small business members, has joined in today's action.

Small businesses, which create the majority of new jobs in the U.S., will benefit in particular from increased exports to Mexico as a result of NAFTA.

NAFTA is scheduled to go into effect early next year. It will build the largest free trade area in the world, comprising the U.S., Canada and Mexico.

The business groups said the court ruling constitutes a roadblock against presidential action and is tantamount to judicial interference with presidential prerogatives to set foreign policy.

The Clinton administration has vowed to fight the court ruling.

President Clinton Names New FBI Director

OW2007150693 Beijing XINHUA in English 1409
GMT 20 Jul 93

[Text] Washington, July 20 (XINHUA)—U.S. President Bill Clinton named Louis Freeh, U.S. district judge in New York City, as the new director of the U.S. Federal Bureau of Investigation (FBI) in the White House this morning.

Clinton made the nomination to replace William Sessions he fired Monday [19 July].

Freeh, 43, was appointed to the federal bench in September 1991 by former U.S. President Bush. As an FBI agent from 1975 to 1981, he was highly regarded within the Bureau. Then, he became a federal prosecutor in New York City for ten years.

Announcing his nomination at a ceremony in the White House, Clinton said that Freeh is "an experienced, energetic and independent" law enforcement officer.

Clinton fired Sessions yesterday afternoon because of "serious questions" about his personal conduct and leadership,

according to a recommendation of U.S. Attorney General Janet Reno who reported to Clinton after "a thorough review."

Sessions denied all the accusations against him, saying that his dismissal was "politically motivated."

He became the first FBI director to be fired in the agency's history of 70 years. Sessions, 63, was appointed to the ten-year term post in November 1987 by former President Ronald Reagan.

Firm Plans To Issue Yankee Notes in U.S.

OW2107030693 Beijing XINHUA in English 2111
GMT 20 Jul 93

[Text] New York, July 20 (XINHUA)—A Chinese firm is planning to issue 150 million dollars of U.S. dollar-denominated 10-year Yankee notes in the United States.

China International Trust & Investment Corp., a state-owned holding company, made filings earlier this month with the Securities and Exchange Commission for the issuing, THE WALL STREET JOURNAL said.

A Yankee note is a security sold by a foreign issuer in the U.S. and denominated in dollars. The issuing, through a group of underwriters led by Goldman, Sachs & Co., will be the first since 1949 for a Chinese borrower to tap the U.S. public bond markets.

Earlier this year, the Guangdong International Trust & Investment Corp. sold 150 million dollars of five-year notes, but that offering was in the Eurobond market, which is closed to many American investors.

Because of growing investor appetite for riskier, higher-yielding securities, some money managers believe that the issue will be snapped up when it comes to market early next week. That's because many investors are dissatisfied with the low yields they're finding in most other U.S. bond markets, the paper said.

Northeast Asia

Daily Says PRC Admits Attacking DPRK Ship

HK2107024893 Hong Kong SOUTH CHINA
MORNING POST in English 21 Jul 93 p 2

[Report by Greg Torode]

[Text] China has admitted responsibility for last week's armed raid on a North Korean ship off Hong Kong, but denied claims of excessive force. New China News Agency [NCNA, XINHUA] officials contacted their Hong Kong counterparts in the Office of the Political Adviser yesterday to quash speculation pirates had been involved.

The office contacted China with an urgent request for information last Wednesday [14 July] when the Ko Mal Shan reported it was being fired on by four speed-boats. But the NCNA yesterday offered no apology and said border

defence craft from the Guangdong port of Shanwei raided the 2,226-tonne ship in an anti-smuggling operation.

A Government spokesman said the case would not be taken any further. "We requested information and we have been provided with that. They underlined excessive force was not used."

Sources said the development has put Hong Kong in a tricky diplomatic position, because North Korea, which has no official link to the territory, had been angered by the use of force. "These bandits threatened our crewmen by brandishing their weapons and attempted to (steal) the ship in order to rob it of the cars and cargo," a report from Pyongyang's official Central News Agency said.

DPRK Embassy Marks Korean War Ending Date
OW2007125793 Beijing XINHUA in English 1224
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—The Embassy of the Democratic People's Republic of Korea (DPRK) in Beijing held a film reception here today to mark the 40th anniversary of the victory of the Korean Liberation War.

Staff members of the Chinese Foreign Ministry and the International Liaison Department of the Chinese Communist Party Central Committee attended the reception.

Southeast Asia & Pacific

Qian Qichen Leaves for ASEAN Meeting
OW2107114793 Beijing XINHUA in English 1162
GMT 21 Jul 93

[Text] Beijing, July 21 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen left here today for Singapore to attend the 26th ministerial meeting of the ASEAN (Association of Southeast Asian Nations), which is scheduled to begin Friday [23 July].

Qian will also pay an official visit to Singapore before the meeting convenes.

This is the third time for Qian to attend the annual ASEAN ministerial meeting following his participation in 1991 and 1992.

Sources at the Chinese Foreign Ministry said that Qian and foreign ministers of ASEAN countries are to discuss relations between China and ASEAN as well as international and regional issues of common concern during the meeting.

China has now established diplomatic relations with all six ASEAN members.

Those who saw Qian off at the airport this afternoon were Chinese Vice-Foreign Minister Yang Fuchang and diplomatic envoys in Beijing from ASEAN countries.

Qiao Shi Begins ASEAN Tour in Indonesia
OW2007120893 Beijing XINHUA in English 1123
GMT 20 Jul 93

[Text] Jakarta, July 20 (XINHUA)—Qiao Shi, chairman of the Standing Committee of the National People's Congress (NPC), China's legislature, arrived this afternoon in Jakarta for a five-day visit.

Indonesia is the first country for Qiao to visit in his first official tour of five member countries of the Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Thailand and Singapore.

The visit is aimed at promoting relations of friendly cooperations between China and ASEAN countries, and increasing exchanges between the Chinese parliament and the parliaments of these countries, according to Chinese parliamentary sources.

The chairman of the Indonesian People's Consultative Assembly and speaker of the House of Representatives of Indonesia, Wahono, received Qiao at the airport.

In a written statement distributed at the airport, Qiao said that since the resumption of Sino-Indonesia diplomatic relations, cooperation between the two countries have experienced further development on the basis of the Five Principles of Peaceful Coexistence and the ten principles of the Bandung conference.

Qiao will meet with President Suharto, and hold talks with Chairman Wahono on relations between China and Indonesia and cooperation between the parliaments of the two countries.

Qiao will also visit Yogyakarta, the historical city of Indonesia, and Bali Island.

Li Tieying, Delegation Arrive in Manila
OW2007143493 Beijing XINHUA in English 1415
GMT 20 Jul 93

[Text] Manila, July 20 (XINHUA)—A Chinese delegation of economic system reform headed by State Councilor and Minister of State Commission for Restructuring the Economic Systems Li Tieying arrived here today for a five-day visit.

During the visit, the delegation will study the Philippine Government's macro-economic policies, enterprises structure, readjustment policies, agriculture system, education system and market competition mechanism.

The delegation will make courtesy calls to President Fidel Ramos, House Speaker Jose de Venecia and meet secretaries of departments of the social and economic development, agriculture, trade and industry, and education.

After the Philippines, the delegation will proceed to Singapore and Hong Kong.

Petroleum Company Opens Office in Singapore

OW2107021793 Beijing XINHUA in English 1532
GMT 20 Jul 93

[Text] Singapore, July 20 (XINHUA)—China Star Private Limited, the first subsidiary of China Petroleum Technology Development Corporation (CPTDC) in Asia-Pacific, was opened here today.

China Star will serve as a window for CPTDC to explore opportunities in the Asia-Pacific region and the Middle East, Xia Peiqing, president of CPTDC, said at the opening ceremony this evening.

Speaking to more than 150 guests, Xia said that China Star Pte Ltd, the new joint venture by CPTDC and Overseas Emporium Group of Singapore, is a trading company with its operation scope ranging from the export of Chinese petroleum machinery to after-sales services, such as import of equipment, tools and technology needed by Chinese oil fields and the promotion of cooperation between China and other countries.

CPTDC has its subordinate companies and offices in Hong Kong, Houston and Los Angeles, Moscow and Peru. The new company in Singapore will serve as a window to introduce China's petroleum technology and machinery to the Asia-Pacific region.

CPTDC, specializing in the import and export business and material supply business for 20 major oil and gas fields as well as 50 petroleum machinery manufacture plants, is affiliated to China National Petroleum Corporation. Its trade volume for 1992 was 1.1 billion U.S. dollars.

Near East & South Asia**PRC, Arab Envoys Meet in Beijing; Discuss Ties**

OW2007142493 Beijing XINHUA in English 1352
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—Diplomats from China and a score of Arab countries expressed the hope that bilateral cooperation in the area of the press should be further strengthened.

At a reception held here this evening to mark the birth of the Propaganda Committee under the Association of Arab Ambassadors in China, Lebanon Ambassador to China Farid Samaha and Chinese Foreign Ministry spokesman Wu Jianmin expressed the hope for stronger media ties.

Samaha said that diplomacy and the press complement each other. He added that tonight's reception, attended by Chinese officials from press and cultural institutions and ambassadors to China from about 20 Arab countries, was aimed at "enhancing mutual understanding with sincerity".

Wu said that it has been China's consistent policy to strengthen cooperation with Arab countries in all fields.

Journalists from the two sides can play a positive role in promoting mutual understanding, which is the basis of cooperation.

"The Chinese Foreign Ministry takes a positive attitude towards developing cooperation with all Arab countries in journalism and culture," Wu said.

CPPCC Official Meets Nepalese Delegation

OW2107081893 Beijing XINHUA in English 0741
GMT 21 Jul 93

[Text] Beijing, July 21 (XINHUA)—Sun Fuling, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), met here today with a delegation from the Royal Nepal Academy headed by its Vice-President Iswar Baral [name as received].

The delegation arrived in China on July 13 at the invitation of the China Federation of Literary and Art Circles to start a two-week visit in China. It has visited Lhasa, Chengdu and Beijing and will leave for Hangzhou and Shenzhen.

Sub-Saharan Africa**Chi Haotian Fetes Malian Defense Minister**

OW2007125393 Beijing XINHUA in English 1141
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—Chi Haotian, Chinese state councillor and minister of national defense, hosted a banquet in honor of Dioncounda Traore, visiting minister of national defense of Mali, and his party here this evening.

This afternoon, Chi presided over a welcoming ceremony for Traore and held talks with him afterwards.

Traore and his party arrived here this morning as Chi's guests.

Sports Minister Visits Djibouti President

OW1607075493 Beijing XINHUA Domestic Service in Chinese 1609 GMT 28 Jun 93

[Text] Beijing, 28 Jun (XINHUA)—According to a report from Djibouti, Hassan Gouled Aptidon, president of Djibouti, met with Wu Shaozu, head of the Chinese Government delegation and minister of the State Physical Culture and Sports Commission, in the presidential office on 26 June.

During the meeting, President Gouled expressed satisfaction with the friendly cooperation between Djibouti and China, and thanked China for its assistance to Djibouti.

Wu Shaozu briefed President Gouled on China's domestic reform and its bid for the 2000 Olympic games.

On the morning of 26 June, Wu Shaozu attended a ceremony for the completion of the "Hassan Gouled" Stadium and its dedication. Hamadou, prime minister of Djibouti, also met with Wu Shaozu.

Political & Social

Li Da's Remains Cremated; Zhuo Lin Condoles Family

HK2107151293 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Jul 93 p 1

[By XINHUA reporter Guo Diancheng (6753 3013 2052): "Comrade Li Da's Remains Cremated in Beijing"]

[Text] Beijing, 20 Jul (XINHUA)—The remains of Comrade Li Da, a former member of the Central Advisory Commission and Central Military Commission, were cremated today in Beijing. Liu Huaqing, Bo Yibo, Zhang Zhen, Qin Jiwei, Chi Haotian, Song Jian, Hong Xuezhi, and other old comrades came to the PLA General Hospital to pay their last respects to the general, who made remarkable contributions in his military career.

Members of the CPC Central Political Bureau Standing Committee Jiang Zemin; Li Peng; Qiao Shi; Li Ruihuan; Zhu Rongji; Liu Huaqing; Hu Jintao; Zhang Zhen, vice chairman of the Central Military Commission; other leading comrades of the Central Military Commission; and many old comrades went to the hospital to see Comrade Li Da when he was critically ill and after he passed away, or gave telephone calls to his family members to express sympathy.

After Comrade Li Da passed away, Comrade Zhuo Lin expressed condolences to the family of the deceased on behalf of Comrade Deng Xiaoping and herself and expressed cordial sympathy and solicitude for Comrade Zhang Naiyi, Comrade Li Da's wife, and their children.

This morning, funeral music was played solemnly in the foyer of the PLA General Hospital. The black streamer bore eight white characters: "Mourning Comrade Li Da with deep grief." General Li Da, after having traversed 89 years of life's journey, lay serenely among flowers and cypress. His body was covered with a brightly colored CPC flag. Two honor guards held rifles and stood solemnly on both sides. Wreaths presented by General Li Da's wife and children were laid in front of the remains.

At 0915, Liu Huaqing and other comrades stepped slowly into the foyer of the PLA General Hospital to the accompaniment of the requiem. Filing past the body of this distinguished CPC member, tested and loyal communist fighter, proletarian revolutionary, and military expert, each stood, observed silence, and bowed three times, then turned to shake hands with General Li Da's wife and his relatives to express their deep condolences.

After General Li Da's body was placed into the coffin, eight pallbearers—all PLA soldiers—guided by two protocol soldiers, placed the coffin in a hearse covered with black and yellow drapes.

The hearse then started to move slowly, watched by mourners who stood solemnly.

Comrade Zhang Wannian and others comprising the funeral arrangement office accompanied General Li Da's relatives in escorting the coffin to the Babaoshan Cemetery for Revolutionaries.

The body of Comrade Li Da was cremated this afternoon.

Jiang, Li Peng, Others Express Sympathy

OW2107165393 Beijing XINHUA Domestic Service in Chinese 0759 GMT 20 Jul 93

[By reporter Guo Diancheng (6753 3013 2052)]

[Text] Beijing, 20 Jul (XINHUA)—The remains of Comrade Li Da, former member of the Central Advisory Commission and former adviser to the Central Military Commission, were cremated in Beijing today. Liu Huaqing, Bo Yibo, Zhang Zhen, Qin Jiwei, Chi Haotian, Song Jian, Hong Xuezhi, and veteran comrades came to the People's Liberation Army [PLA] General Hospital to bid farewell to the general who spent his entire life in the army and made outstanding contributions.

Members of the Standing Committee of the CPC Central Committee Political Bureau Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing, and Hu Jintao; leading comrades of the Central Military Commission, including its Vice Chairman Zhang Zhen; and many veteran comrades visited Comrade Li Da in the hospital while he was seriously ill. After his death, they phoned his relatives to express their sympathy.

After Comrade Li Da's death, Comrade Zhuo Lin, on behalf of Comrade Deng Xiaoping and herself, extended condolences and expressed cordial sympathy to Li Da's wife Comrade Zhang Naiyi and their children.

The small auditorium in the PLA General Hospital was filled with funeral music and solemnity this morning. There was a black streamer inscribed with the white characters "Mourn With Deep Grief Comrade Li Da." General Li Da, who finished his 89-year life's journey, lay serenely among fresh flowers and green pine leaves, covered under a colorful CPC flag and flanked by two rifle-bearing honor guards.

At 0915, Liu Huaqing and other comrades walked slowly into the small auditorium of the PLA General Hospital amid funeral music. They lined up, stood in silent tribute, and then made three deep bows to the remains of the outstanding CPC member, long-tested loyal communist fighter, and proletarian revolutionary and military strategist. They then shook hands with Li Da's wife and other relatives, expressing their deep condolences.

After General Li Da's remains were placed in their coffin, eight PLA fighters, walking behind two honor guards, carried the coffin into a hearse covered with black and yellow cloth curtains.

The hearse began to move slowly. Comrades attending the funeral stood in silent tribute, watching the hearse move away.

Zhang Wannian and other comrades of the funeral office accompanied General Li Da's relatives, escorting the hearse to the Babaoshan Cemetery for Revolutionaries.

Comrade Li Da's remains were cremated this afternoon.

AFP: Deng Misses Ceremony

HK2107070693 Hong Kong AFP in English 0656 GMT
21 Jul 93

[Text] Beijing, July 21 (AFP)—China's paramount leader Deng Xiaoping failed to come out of seclusion in spite of the death of a longtime friend, having his wife extend condolences for him, according to a report on Wednesday.

General Li Da, who assisted Deng in leading the Eighth Route Army's 129th Division during the Sino-Japanese war, died July 12 at the age of 89 and was cremated Tuesday at a ceremony in a Beijing military hospital. Li was "chief aide" to Deng at the time and continued to serve under him during the Chinese civil war, devising battles strategies and causing confusion within the rival Kuomintang, the People's Daily [RENMIN RIBAO] said.

He advised Deng on military affairs until 1987. But despite the close ties stretching back five decades, Deng, who turns 89 next month, failed to emerge from seclusion, sending his wife instead.

"Comrade Zhuo Lin represented Comrade Deng Xiaoping and herself to express grief over Comrade Li Da's passing," the newspaper said. Zhuo also extended condolences to Li's wife and children on Deng's behalf, it added.

The government has twice this month denied rumours that Deng was in poor health, most recently on Tuesday. It rejected as groundless a Japanese report that said he underwent surgery for testicular cancer last month.

Deng last appeared in public more than nine months ago.

Slow Financial Reform Attributed to Li Peng

HK2007120193 Hong Kong MING PAO in Chinese
9 Jul 93 p 8

["Newsletter from Beijing" by special correspondent Liang Hsiao-tien (2733 2556 1131)]

[Text] Some Chinese economists have welcomed the central authorities' decision to rectify the financial order, but held that it was too late to take such action. Most people in economic circles also held that Premier Li Peng should bear the main responsibility for the slow progress of China's financial structural reform.

On the other hand, it is said that many people in the banking industry are on edge, and some localities and enterprises are unhappy with the credit retrenchment policy. However, ordinary people say that "those who received commissions greedily should have been punished long ago."

It was learned that people in economic circles have generally welcomed CPC Central Document No. 6 and the recent national conference on banking work. However, many people held that China's financial disorder had appeared long ago, but the central authorities admitted this and made up their minds to rectify the financial order just recently. "It may be a bit too late, but the action has been taken eventually, and this is better than any further delay."

Some economists in Beijing are unhappy with Premier Li Peng's conservative attitude toward banking and financial structural reform. According to informed sources, at an internal meeting attended by Li Peng, Chen Jinhua, a former minister of the State Commission for Economic Restructuring, proposed that the People's Bank of China, as the central bank, should operate independently. Li Peng was annoyed at hearing this and immediately contradicted Chen. On that occasion, Chen Jinhua said that the People's Bank of China should be independent from the government in order to perform its function of managing the country's currency. However, Li Peng immediately said "no way." Li Peng said that after a market economy has been established the central government would have to exercise economic control through the banking system. If the bank is independent from the government, the government will have no means of regulation and control. According to informed sources, Li Peng has rarely been seen so angry.

The informed sources also said that a plan to reform the financial system had been submitted to Premier Li Peng, but he just cast it aside and did not approve it for a long time. This delayed the adoption of reform measures in the banking and financial system. In his government work report last March, Li Peng said that financial reform would be a long-term target. Some economists said in private that Li Peng's recent hospitalization had paved the way for the rectification of the national financial order and made it possible for the central authorities to deal seriously with problems in the banking system.

After the end of the national banking work conference, some banking officials admitted in private that they would "not fare well" in the coming days. It is hard to discover accurately how much money has been loaned, and no one dares to bear responsibility for bad loans and reporting bad loans to the higher authorities. In addition, it is hard to say whether it will be possible to retrieve on time all those loans made in violation of the regulations. If they fail to fulfill this task, they may be dismissed from office.

Some local and enterprise leaders are unhappy with the central authorities' financial retrenchment policy. A local government official in a coastal city said that, a few months ago, the central government was calling for emancipating the mind and accelerating development. Once problems occurred, the central authorities blamed the local authorities for not following their instructions. A retrenchment policy was again adopted shortly after the economy became a bit better. Localities were not allowed to spend their own money to seek development.

An enterprise manager said that it would be harder for them to obtain credit support in the future, as this was already very difficult in the past.

According to Central Document No. 6, many localities are busy announcing their own regulations. In particular, lavish dining and drinking has been banned and institutional purchasing power brought under control. Many restaurants in Beijing have become desolate, although they were often full of customers in the past. In particular, evening dinner business has fallen sharply. A restaurant manager said that he can allow more employees to take leave, because they may have to work overtime again "after this gush of wind abates."

Commenting on the rectification of the financial order, ordinary people said that bank officials who had made a fortune through commissions would be in trouble and they should not be let off, and they even questioned why the state authorities had not taken action in the past against these people who were gathering ill-gotten wealth.

Zhu Ascends; 3d Plenum To Hear Li Peng Resignation Request

HK2107034693 Hong Kong THE STANDARD in English 21 Jul 93 pp 1, 2

[Report by unnamed staff reporter]

[Text] Executive Vice-Premier Zhu Rongji has assumed all responsibilities as government head, in a move that analysts say will pave the way for him to eventually replace ailing Premier Li Peng. In a recent meeting, the Communist Party's decision-making Politburo also decided General Secretary Jiang Zemin should take all the party positions held by Li, who is a member of the Politburo Standing Committee.

The decision to relieve Li of government and party positions was reached in the face of a worsening economic situation and Li's inability to resume full responsibilities in the short term, Chinese sources said. The sources said the decisions were initiated by paramount leader Deng Xiaoping, following Li's offer to resign as head of the Chinese government early last month. Deng instructed the Politburo to study the arrangement after receiving Li's resignation. He said the State Council, China's cabinet, could not go for long without a head.

The Politburo meeting late last month concluded that Zhu should take up full responsibility for the administration. Zhu is also empowered to assume all positions that the premier now holds within the State Council, the sources said. However, as a compromise between factions within the party and to maintain a stable political situation, the Politburo turned down Li's resignation, saying it was not the right time to consider the matter. The meeting resolved to let Zhu act as the supremo of the State Council while maintaining the official title of vice-premier.

Chinese analysts say Zhu is now very powerful in the government. He is now governor of the country's central bank, head of the State Securities Administration Committee, the Agriculture Leading Group, and of the Leading Group on Financial and Monetary Affairs under the State Council.

Nevertheless, Li, 65, is not expected to be officially removed from office this year. His request to resign will be discussed at the Third Plenary Session of the party's Central Committee. Meanwhile, it was reported that the plenum would again be postponed until December, to give the party more time to study the country's long-term agenda.

Local Beijing-controlled WEN WEI PO said yesterday the 16 measures to cool the overheated economy were targeted to solve urgent issues, such as the chaotic monetary order and unchecked inflation. However, there were deeper and wider problems that gave rise to grave concern by the top leadership, it said. Those problems included how to increase the productivity of socialism and how to prevent "rotten" aspects of capitalism from influencing the country.

'Central Leader' on Implementing Document No. 6

HK2107131593 Hong Kong TA KUNG PAO in Chinese 21 Jul 93 p 2

["Special dispatch": "Central Authorities Issue Document No. 6 on Strengthening Macroscopic Control"]

[Text] Beijing, 20 Jul (TA KUNG PAO)—Recently, a central leader once again said that quickening reform and opening up and establishing the socialist market economy as soon as possible is the fundamental method for solving the current prominent problems in economic work.

The central leader said: Through analyzing the current economic situation, one may reach a conclusion that the economic situation throughout the country is good, but some contradictions and problems have also appeared in the course of progress, and some problems are rather prominent. The fundamental method for solving these problems is to quicken the pace of reform and opening and to establish the socialist market economy as soon as possible.

He said: Since the second half of last year, in order to solve the prominent problems in economic work, the party Central Committee and the State Council have analyzed and assessed the economic situation many times and have successively formulated and promulgated a series of policies, measures, and regulations. Recently, the central leadership issued Document No. 6 (also called the "16 Points") in order to strengthen and improve the state's macroscopic control, rationalize economic relations, and guarantee the national economy's sustained, high-speed, and healthy development. Whether such policies and measures can actually be put into practice will have a bearing on the overall situation of reform, opening, and economic construction. This will also have an impact on the country's social and political stability. On this issue—which has a bearing on the overall situation—all comrades in this party, especially the leading cadres at all levels, must have a strong sense of political responsibility, must remove all hurdles, must overcome difficulties, and must faithfully carry out the policies and measures without any reservation.

First, the people's thinking and understanding should be brought into line with policies and measures. The whole party membership, especially the leading cadres, should bring their thinking into line with the spirit of the document issued by the party Central Committee. They should correctly approach the current economic situation, not only fully affirming its good side but also being soberly aware of its problems. They must not take these problems lightly, nor should they flinch in fear of the difficulties. They should be fully aware of the existing problems' potential for harm and the serious consequences that would result if they are not resolved in time. They should also remain confident about solving the problems through strengthening and improving macroscopic control and deepening reform.

Second, all concrete measures laid down by the central leadership must actually be put into practice. This will be a test of party spirit for party committees and party cadres at all levels. In particular, when there are contradictions between the overall interests and their own partial interests, they must give consideration to the overall interests first, must strictly observe discipline, and must faithfully obey and resolutely carry out the orders of the higher authorities.

Third, it is necessary to properly link the central instructions with local conditions, grasp prominent problems, work out solutions, and concentrate strength on thoroughly and effectively solving the problems.

Leaders Carry Out Inspection Tours of Various Areas

Jiang Visits Qinghai, Views Economy

OW2107130493 Beijing XINHUA in English 1243
GMT 21 Jul 93

[Text] Xining, July 21 (XINHUA)—Qinghai and other northwest provinces in China should seize favorable

opportunities to speed up reform and opening to the outside world to boost local economy.

President Jiang Zemin, who is also general secretary of the Central Committee of the Communist Party of China (CPC), made this remark during his July 16-21 inspection tour in Qinghai Province.

Jiang stressed that it is a must for the province to create and make the best use of opportunities, based on local realities, through scientific planning, taking correct measures, and doing down-to-earth work. This should be carried out under the guidance of comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line, he said.

During his stay in Qinghai, Jiang expressed his satisfaction with the great changes and marked achievements in various aspects the province has made since the Third Plenary Session of the 11th Central Committee meeting of the CPC.

He attributed the achievements to the creative work Qinghai government has made, which suited local conditions.

Jiang also praised many outstanding people who have moved in from coastal cities to work for Qinghai's development over the past decades. He said he hoped more people with hard working and selfless spirit will emerge during the course of reforms and modernization drives.

Qinghai is rich in natural resources, Jiang pointed out, saying that it is important to focus more attention on the exploration of natural resources and speeding up their utilization with varied means including using foreign funds, for the purpose of making it a leading industry to boost the provincial economic and overall development.

He held that this should be made an important development strategy of Qinghai Province.

The general secretary called on Qinghai provincial government to make greater efforts to promote agricultural and animal husbandry production, and work hard to produce enough grain to feed the province's people.

Jiang also stressed the importance of strengthening unity among various nationalities in the province and wished for ever growing prosperity in areas inhabited by ethnic groups and herdsmen.

During his tour in Qinghai, Jiang visited local army units, public security troops, and armed police stationed in the province and encouraged them to make greater contribution to safeguarding local social stability and in promoting local reforms and overall development.

He also visited a number of large-scale enterprises and research institutes and areas inhabited by minority nationalities.

Zhu: Guizhou To Be Spared Austerity Drive

HK2107025593 Hong Kong SOUTH CHINA
MORNING POST in English 21 Jul 93 p 11

[Report by Daniel Kwan]

[Text] Executive Vice-Premier Zhu Rongji has given his backing to the impoverished province of Guizhou's attempts to catch up with its prosperous neighbours by sparing it from the national austerity drive, a provincial leader said yesterday. Vice-Governor Zhang Shukui said in Hong Kong that Mr Zhu had assured cadres during a tour of the inland province at the weekend that Beijing would not apply an across-the-board cut to Guizhou and roll back reform. This will enable the province to speed up its economic development in order to catch up with the prosperous coastal provinces.

Mr Zhu reportedly told the cadres to "put their economy in order" and clean up the messy financial market. "What he meant, as far as I understood it, was that we must set priorities in our development," Mr Zhang said. "We will not curtail projects such as agriculture and transportation and resources development. On the contrary, we will seek further development in these fields."

The Vice-Governor said Guizhou would be treated as an exception and allowed to develop overheated sectors that others are being advised to cool down. For instance, Guizhou would be allowed to expand its fledgling real estate market and build more development zones and tourist facilities.

"Guizhou has the advantage that...we can attempt to develop projects which cannot be undertaken in coastal provinces because of their limitation of energy, resources and land," Mr Zhang said. "We can turn your (foreign entrepreneurs') wishes that you cannot realise in other parts in China into reality in Guizhou." Compared with other provinces, Mr Zhang said Guizhou enjoyed the advantages of rich resources, the presence of a military industry and cheap labour. He admitted the remote province had difficulty exporting its resources due to a bottleneck in transportation, but stressed the Government was committed to improving infrastructure.

According to the Vice-Governor, about 17 percent, or six million, of the local population in Guizhou still live below the poverty line, earning about 300 yuan (HK\$405) a year. The per capita income of farmers in Guizhou was only 506 yuan last year—about 20 percent below the national average, Mr Zhang said. He said the Government faced difficulty paying its 28 million farmers for harvests but claimed that no anti-government protests had occurred in Guizhou so far.

Li Tieying Urges Deepened Reform in Gansu

HK2007134193 Lanzhou Gansu People's Radio
Network in Mandarin 2300 GMT 15 Jul 93

[Text] From 8 to 15 July, Li Tieying, member of the CPC Central Committee Political Bureau, state councillor,

and minister of the State Commission for Restructuring Economy, was in our province on an inspection tour. During his tour, he emphasized that, in order to accelerate economic development in western regions, it is imperative to further emancipate the mind, deepen reform, and expand opening up.

While inspecting our province in the company of such provincial leaders as Gu Jinchi [provincial party secretary], Yan Haiwang [provincial governor], Sun Ying, Zhang Wule, (Li Pulin), (Song Zhaolong), (Cui Zhongyuan), Chen Qiling, (Zhou Kun), and (Cai Zhenhua) on different occasions, Li Tieying visited prefectures and cities, such as Lanzhou, Zhangye, Jiuquan, and Jiayuguan, as well as large and medium-sized enterprises, scientific research institutes, and institutions of higher learning in Lanzhou. He listened to reports on the work of the provincial party committee and the provincial government.

Li Tieying fully affirmed the achievements our province has scored in reform, opening up, and other undertakings in recent years.

Li Tieying pointed out that the 1990's is a period wherein China is to build up a comprehensive socialist market economic structure. The establishment of the socialist market economy requires better emancipation of the productive forces and tapping of the advantages of socialism. Western regions, with their unique environment, are faced with tremendous difficulties and problems. The main problem is a backwardness of understanding caused by economic backwardness. However, the west has its own advantages in resources and science and technology. It has great potential and is full of promise.

Li Tieying said that it is necessary to accelerate institutional reform, convert the operational mechanisms of enterprises, and change government functions. Where economic development is fast, changing government functions is fast. Therefore, it is necessary to have a clear understanding of the situation and devote more energy to studying how to reform and develop. Early reform means the early acquisition of initiative and early development. We should conduct reform in the course of development and seek development in the course of reform. This means we should further emancipate the mind, boost the strength of reform, study the operational laws of macroeconomy in advance, keep sight of the changing situation, push ahead with reform, develop the economy, and narrow the gap between the west and the coastal areas.

When remarking on enterprises' deepening reform and changing operational mechanisms, Li Tieying pointed out that in fully converting operational mechanisms in western regions, policies should be more relaxed and steps should be bigger with greater courage. Otherwise, compared with developed regions, they will always be

one step behind, which will in turn generate more problems making enterprises less capable of [words indistinct].

Li Tieying also emphasized that we are all under the same sky. If other regions can reform state-owned enterprises then we can do the same. Development of the western regions must rely on themselves. In enterprise reform at present, breakthroughs should be sought in personnel, medical care, housing, and the social security system. One must strive for initiative in reform and should never start seeking ways out and carrying out reform only when an enterprise is on the brink of breaking down, or else it will always lag behind.

During his inspection tour, Li Tieying also gave important talks on agricultural development, cultural development, and the protection of relics in our province.

Vice Minister of Culture Chen Changben and others came to Gansu to accompany Li Tieying on this inspection tour.

Chen Xitong Addresses Mayors Association

SK2107124493 Beijing BEIJING RIBAO in Chinese 22 Jun 93 p 1

["Excerpts" of speech by Chen Xitong, member of the CPC Central Committee Political Bureau, secretary of the Beijing Municipal CPC Committee, and president of the Chinese Mayors' Association, at the opening ceremony of the symposium on development of new and developing cities, sponsored by the Chinese Association of Mayors—carried by Issue No. 12 of XUEXI YU YANJIU (STUDY AND RESEARCH); date not given]

[Text] The foundation stone for the Chinese mayors' building was laid in Guangzhou yesterday. The mayors' home of Beijing will be completed within this year. The eight-story mayors' home is a "small building" of mayors, not a "large one." Upon the completion of this building, mayors from all parts of the country will have a place to meet with one another when they visit Beijing. Upon the completion of the mayors' building in Guangzhou, there will be places for mayors to conduct activities in both the southern and northern parts of China. Our mayors' association has conducted its activities in a vivid manner. It has made a good start. We owe these achievements to the working personnel of the association as well as the support of the mayors in all parts of the country.

What does it reflect that the mayors' association is improving and becoming more prosperous with each passing day? This does not mean that the mayors' association can be developed only with a few people's efforts. On the contrary, it reflects that the motherland's economic construction is flourishing. Why should we say this? The reason is that a city reflects an appropriate degree of economic development. The rising of a city indicates economic prosperity. Now, China has 517 cities, accounting for nearly one-fourth of the country's

total counties. Of these cities, 324 rose after reform and opening up. The rapid development of cities is an extremely amazing thing. Generally speaking, our city must have at least more than 100,000 people. Sometimes, a foreign city only has several thousand people. Nanhai city, that used to be a county and was renamed as a city not long ago, registers a rapid increase in its urban population. If the rural population is included, this city has nearly 1 million people. It can be regarded as a large city in both Europe and the world. Viewing the development of our country's cities, we know that over the past decade or so, under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, the socialist modernization drive has been full of vitality, the economy has been developing at a rapid speed, and cities emerged as the times require. Will all the county towns be built into cities in the future? This is possibly an orientation. So, this is an extraordinary thing. City is an economic and cultural center and stands for the orientation of development and the essential trend of social and economic development. A city should bring into full play its role as a region's economic and social development center to promote the economic construction as well as the improvement of spiritual civilization. This is our great cause. The mayors' association should serve mayors. The establishment of the mayors' association is completely necessary. From now on, the mayors' association has bright prospects.

The subject of this meeting is very good. It is named as "the symposium on development of new and rising cities." It is very important and extremely necessary to especially study the development of new and developing cities in the current new development stage. In the past, many old cities, including Beijing, Shanghai, Tianjin, Guangzhou, and Shenyang, played a key role in history. Old cities have their old advantages, disadvantages, difficulties, experiences, and lessons. Due to the development of modernization, many old cities are no longer suitable to the new situation. In the past, we were late in grasping the urban construction. So, the people in old cities today are finding the going tougher. We even can say that they will find the situation becoming harder with each passing day. Many old problems were accumulated, and some new problems emerged. They are traffic congestion; serious pollution; strained supply of water, electricity, gas, and heat; packed residential houses; difficulties in employment; damage of relics; blind development along roads; and the formation of "belt-shaped cities." We made a late start and took many roundabout courses in rebuilding and developing old cities. New cities should draw a lesson from the old cities' painful experiences. We hope that the new cities will try every possible means to draw a good new picture on a piece of white paper and avoid making the errors of old cities. For instance, new cities should pay earlier attention to the pollution problems, and not think of the problems after the completion of the cities. New cities should solve the traffic problems in the initial stage of construction and avoid making mistakes of old cities.

China has special characteristics of its own. It has bicycle problems except for the mountain towns, including Chongqing and Wanxian. How can we tell bicycles from motor vehicles? New cities should think of this issue from the very beginning for fear of repeating the mistakes of the old cities, which must make redouble their efforts, or even make 10-fold efforts, to solve this problem. Simultaneously, there are still difficulties in solving the problems of dismantlement and relocation. You must not envy some old cities their large-scale construction. In reality, most of them are forced to solve the old problems and to return new and old debts. The old cities suffered these problems mainly because they made a late start. In the past, we did not know the external situation because China did not open itself to the outside world. Even some people maintained that expressways were not suitable to the national situation of China. Building long and wide roads was thought a means for satisfying the craving for greatness and success. Those who built long and wide roads were even criticized or punished. Guangdong once had such a situation, and Beijing was once criticized for this. Without full understanding, we created many difficulties and problems and even made many mistakes. If new cities are able to understand these mistakes, accept these successful experiences, and use their experiences for reference, they will be able to avoid creating some losses and reduce the waste of money and manpower. This is extremely important. An early start is better than late start, and initiative is better than passive. Today, we discussed the issue on how to develop new cities; attained common understanding through discussion; were determined to grasp the planning, construction, and management of new cities; and created good conditions for developing the economy and culture. This is of strategic significance to the long-term development of China. So, I think that this meeting is extremely important. I hope that you will be able to conscientiously implement the guidelines of the meeting after you go back to your posts. By so doing, the economy be well developed and cities be well constructed. At that time, our cities will be able to avoid taking the old ways of the Western cities and embody China's special characteristics. Now, the people in some Western countries spend their weekends on the outskirts, and there are no people in cities at weekends. If we are able to avoid this phenomena, our cities will possess more Chinese characteristics. I once talked with the mayor of a large foreign city. The environment of that city was not good. So, at night, some people did not live there but lived on the outskirts, the countryside, or even in other cities. That mayor said: "I must have these people come back." I asked: "How can you have them come back?" He said: "I plan to plant trees and improve the environment so as to have them be willing to live in the city." He asked me about my ideas. I answered that from now on, we should draw upon your lessons and make efforts to improve our ecological environment and not have the dwellers leave the city. If new cities positively develop, according to their nature and the scale, the economy of their own

specialities, to the neglect of rules, the ecological environment, pollution, transportation, living conditions, purchasing facilities, and cultural life, the cities will become "new but old." It is possible to have such a situation. The cities, although they are newly constructed, still stick to the old ways. They conform to neither the requirements of modernization nor the demands of the people. We still have to spend large amounts of money to conduct reconstruction and waste money and manpower. Ten years ago, RENMIN RIBAO carried a comrade's article entitled: "Beijing Is Extraordinary in Its Scene But Has Many Inconveniences." We changed one of these words and compiled a scroll written as "Beijing Is Ordinary in Its Scene But Has Many Inconveniences." This scroll is still hung on the wall of the routine work conference hall of the municipal government and has been regarded as a motto to warn us at any time. If we make an earlier start and have an earlier understanding, the newly constructed cities will be "new and new." Only when we have a wide field of vision, take the overall situation into consideration, and leave some margin in drawing up a plan, realizing a high modernization standard cannot be attained at once, will we not create obstacles or pay a high price for future development. Some people only seek short-term interests at the expense of long-term interests. This will bring about many losses to them. I believe that the people are not willing to see losses. Only seeking short-term interests at the expense of long-term interests is a major taboo in urban planning, construction, and management.

Column Urges Education, Supervision of Officials

HK2007132093 Beijing LIAOWANG in Chinese No 26, 28 Jun 93 p 21

["Random Talk on Current Affairs" column by Liu Gensheng (0491 2704 3932): "The Critical Issue Is to Supervise Government Officials"]

[Text] Earlier Yu Guangyuan urged: The critical issue is to educate officials! He said that we have completed socialist transformation in rural areas in the 40 years since the founding of the country. The fundamental problem awaiting solution now is to see the ongoing socialist economic structural reform through and achieve China's modernization. At this critical juncture, officials become the chief target of education as they are the people operating the state machine and playing a far greater role than non officials in either promoting or hindering reform and opening up.

How insightful and perceptive Yu Guangyuan was.

The establishment of the socialist market economic system has led to enormous and profound changes in the people's political, economic, and social lives and has created many problems for party style and the effort for clean government. Unsound and imperfect market mechanisms that come with the transition from the old system to a new one have allowed economic law and discipline violations to develop into a serious problem.

The number of such cases has risen perceptibly, involving increasingly large amounts of money and implicating cadres of ever higher rank, and the means employed are increasingly hidden from scrutiny. In the push for all-around opening up to the outside world, the value orientations of some people have become distorted. Social ills such as prostitution and drug trafficking and abuse, stamped out following the founding of the nation, have resurfaced. Some government officials are involved in prostitution and drug abuse. In changing the functions of some organs and professions, a lack of checks and balance has allowed some leading cadres or wielders of power who crave for gains to replace party principles with that of commodity exchanges, change work relationships into money relationships, abuse powers for personal gain, and trade powers for monetary gain.... The problems involve different departments and localities to various degrees and have found their way into various fields. Problems existing within and without the party, political and economic problems, and legal and illegal means are all entangled, confronting us with a complicated situation, which is seriously eroding the party body and the people's ideology, endangering social stability, and hampering and interfering with the smooth progress of reform, opening up, and economic construction. It was not with a desire to shock that we said that "the critical issue now is to educate officials." However, education by itself is not enough. Education without strict supervision will not achieve anything.

Strict supervision of officials means setting restraints and restrictions on the users of power by using democratic and legal means through various effective channels in order to ensure that the people's powers are exercised according to the people's will and that civil servants serve the people; to prevent and stop the abuse of power; to correct and remedy promptly those power practices that deviate from the norm; and to mete out the necessary punishment to people who have committed, or are held accountable for, abuses of power. Moreover there are to be no "exceptions" or mercy for any one, and all will be handled according to law if they have broken party discipline and state laws. Only thus can we eradicate all corrupt phenomena among officials and ensure that reform and opening up develop along a healthy path.

The education of officials has never ceased since the founding of the nation, and it has done an enormous job in turning out many clean and upright officials. But education is after all a "soft" restraint, which explains why it worked better with civil servants who had a strong public sense and resistance against temptation, and did not work much with those with a weak public sense and resistance against temptation. From what I can observe, most of the corrupt officials understand this basic truth of not abusing power, as can be told from a comparison of what they said and did when they were not in power, and what they said and did when they were in power. They knew they were breaking the law. However, they had thought this out: "Self-criticism lasts only a while

when compared with a lifetime of benefits"—this is the result of their calculations, which rather points to our lax supervision than to too little education.

Power is a double-edged sword. Society needs the defense of power to operate normally. But power may also lead to corruption when unchecked. This is determined by the inner contradictions of power. Power is not only related to the needs and common interests of the whole society, but also to the interests of those who hold power, both as a group and as individuals. The exercise of power is a distribution process of social values, providing opportunities and conditions for some people to abuse power for personal gain. As the exercise of power can bring its holders various benefits, it is naturally and almost instinctively corrosive to its holders and can lead to corruption if restrictions are not strengthened. Of course, there is no good or bad with power as such, but the subject of power is man, and man has moral and cognitive limits, which may at any time transform the inherent corruptibility of power into reality. Only strict supervision can prevent this "transformation." Numerous facts have proved that education alone is too weak and ineffectual to stop this "transformation."

Singapore has done a relatively good job in anticorruption work. This is because they have a set of very specific and strict regulations for supervising officials. Once a cabinet minister was fired and jailed simply because he bought a new car with public funds provided to him to repair his old car. They also have a regulation which has proven to be a most powerful deterrent: Every civil servant must put 40 percent of his income into a provident fund (as there is no old-age pension or retirement compensation after retirement). The higher one gets and the longer one works, the more provident fund one has. However, if an official is found to have gained something illegally, all of his provident fund will be seized. It is this kind of strict supervision which has helped them to achieve better results in anticorruption work, and which has brought about social stability and economic prosperity.

Emphasizing the strict supervision of officials does not exclude and negate the role of education. The two actually reinforce each other, and strict supervision is itself education in that it provides potential deviants with a yardstick: You want to break the rules and the law? You feel that indiscipline and law breaking will give you enormous pleasure? Then please measure this possible pleasure against the punishment you will receive and the hardship inflicted by the punishment to see if the "gain" outweighs the "loss." When all grafters end up "losing" more than they obtain, this will establish a warning to those intending to follow suit to rein in from the brink of the precipice.

Hu Sheng Article Discusses Bo Yibo Book

HK2107091693 Beijing RENMIN RIBAO in Chinese
16 Jul 93 p 5

[Article by Hu Sheng (5170 4939): "My Feelings After Reading Last Volume of *Review of Several Major Policy Decisions and Events*"]

[Text] Comrade Bo Yibo's book *Review of Several Major Policy Decisions and Events* (Volume 1), which was published in May 1991, has attracted attention in various fields. With two years of efforts, the author has also finished Volume 2 of the book. This is worth welcoming.

In the preface to the first volume, Comrade Bo Yibo said that "This is a research book which contains my memories. The book describes the making of major policies of the party and state on the country's economic and social development from 1949 to the eve of the 'Great Cultural Revolution' in 1966 as well as the cause and effect of the major events." The first volume covers the eight years from 1949 to 1956, while the second volume covers the 10 years from 1957 to 1966.

The writing of the second volume was probably more difficult than the first one. On the whole, the eight years covered in the first volume was a period when the work of the party and state proceeded smoothly. Although China entered the period of all-round socialist construction in the ten years covered by the second volume, we experienced a very difficult and tortuous course. In these ten years, there were many mistakes in the CPC Central Committee's major policies, which resulted in heavy losses in work and eventually led to the "Great Cultural Revolution," bringing great disaster to the party and state. The author of the book clearly pointed out in the preface to the first volume that the ten years "was a difficult and tortuous period experienced by our party in exploring the road of building socialism suited to China's reality." (Volume 1, p 2) This judgment requires theoretical justification. Why was it necessary to undergo a period of exploration? Were there positive achievements in the course of the exploration? Why were there so many serious mistakes? Why were the positive results covered by the mistakes? What was the historical significance of the exploration? What had it to do with the new period after 1978? What experience and lessons can we draw from a review of the ten years of exploration today, particularly mistakes made during the exploration? It is indeed no easy job to give answers to these questions.

We can realize from Comrade Bo Yibo's book that he squarely faced the facts without any misgivings, proceeded from facts, and made realistic and scientific analyses. In the 450,000-character Volume 2, he wrote on 22 topics in a calm and orderly manner. He presented the facts and reasoned things out. The book eases our weariness and provides food for thought. The descriptions and analyses in the book are well-organized rather than sloppy; they concentrate on the main points and are also not overelaborate. Proceeding from the historical and social conditions at that time, the comments of the book analyze right and wrong, gains and losses, and successes and failures of the major policies and events instead of making irresponsible remarks based on people's current level of practice and understanding. At the same time, the book explained how we should accept the experience and lessons of that time in light of the objective logic of history. The author used irrefutable

facts and convincing exposition to explain the close relations between the formulation of the party's line and policies in the new period after 1978 and the experience and lessons drawn during the period from 1957 to 1966. I have realized that the book gives us an intact and profound understanding of the past 30 to 40 years, and through our understanding of the past, further deepens our understanding of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, including the line and principle implemented and will continue to be implemented by our party. In a word, I think this is a very interesting book which is worth reading. It is a Marxist historical work.

Here I would like to express some of my personal understanding after reading the book.

First, readers have probably focused their attention on how the book described and commented on mistakes in the making of major policies over the 10 years.

It should be noted that the book never in the slightest degree conceals these mistakes. The book describes and comments in detail on the mistakes, irrespective of the leading comrades involved—Chairman Mao, Comrade Shaoqi, other leaders, or the author. The descriptions are objective and the comments, based on facts, are convincing.

Let us have a look at one example. During the half year from the winter of 1957 to early 1958, Chairman Mao continued to criticize the comrades responsible for economic work including Chen Yun, Enlai, Xiannian, and others who were against the premature advance. Viewed from later facts, Chairman Mao's criticisms at that time were apparently wrong. The book explicitly pointed out: "The criticisms of those against the premature advance were overdone, which paved the way for the premature advance later." (see p 651) The book also said: "The criticisms of those against the premature advance indicated the seriousness of the abnormal inner-party political life." (see p 654) These sharp expositions were not drawn in a simplified manner. In the first volume, the book gives explanations of why and how the central leading comrades expressed their views against the premature advance. In the chapter "The Criticisms of Those Against the Premature Advance" in the second volume, the book first gives an accurate narration of Chairman Mao's criticism of those who were against the premature advance. On the five later questions, the book used Chairman Mao's own words to explain his criticism of those who were against the premature advance. On these five questions, the author made some comments and then made an overall assessment of the criticism of those who were against the premature advance. Readers can see that the assessment, which is based on facts, gives us a useful lesson. From the assessment of this part of history, the book also explains the necessity of carrying out inner-party criticism and self-criticism. Nevertheless, "historical experience has proved that inner-party criticism should be carried out correctly and based on good grounds; it is necessary to make criticism in the

manner of 'a gentle breeze and a mild rain,' present the facts and reason things out, and convince others rather than launch acute struggles and intimidate people. Criticism should be focused on correctly distinguishing between right and wrong, and the target is to draw on experience and lessons which will be conducive to promoting and ensuring the correctness of the party's policies and implementing the party's work." (see p 654) In my opinion, the book's comments on the mistakes made in policies in the past constitute the practice of the correct attitude and method of inner-party criticism.

Comments on mistakes affecting the overall situation, including the "Great Leap Forward," people's communes, the struggle against the rightist deviation at the 1959 Lushan meeting, and the stress on class struggle at the 10th Plenary Session of the Eighth CPC Central Committee in 1962, occupy a large portion of the book. Readers can see that the book gives a clear account of the relationship between Chairman Mao, as the person in charge of the CPC Central Committee, and these mistakes. Proceeding from facts, however, the book also explains that responsibility must not be attributed to him alone. For example, page 747 says, "although Chairman Mao was responsible for the establishment of the people's communes, it was not his responsibility alone. As other central leading comrades and those who took part in the Beidaihe meeting also raised their hands, they should share responsibility." In another example, while commenting on the new stress on class struggle in 1962 and the mistakes, page 1103 says: In light of large numbers of facts, "the 'leftist' tendencies at that time were not accidental; it was a problem of ideological understanding of the whole party rather than the responsibility of an individual." Readers can also see that the book not only seriously studies the nature of the mistakes, but also tries to explore the reasons for such mistakes. The book observes problems by combining the personal factors giving rise to mistakes with the universal social factors. The conclusions drawn are very valuable.

In the 10 years, there was only the struggle against rightist tendencies within the party while the struggle against "leftist" tendencies was not allowed. It seemed that rightist tendencies were not the genuine rightist things and the "leftist" tendencies spread unchecked. The book gives a thorough perspective of these problems. The author said, "although we have made rightist mistakes in our work since the PRC founding, 'leftist' mistakes accounted for a larger proportion. 'Leftism' was a chronic problem." (see p 1,043)

Experience of these 10 years has proved that it is very harmful to regard the general controversy over different views within the party as class struggle and certain dissident views as bourgeois, and to handle these problems by means of class struggle. In view of such a situation, the book says, "in a socialist society, class struggle exist within a certain scope. Inner-party contradictions are mainly a problem of understanding. Naturally, we cannot rule out the possibility of class struggle

within a certain scope in society finding expression in the party. However, if we willfully regard the differences in understanding and dissident views within the party as revisionism or class struggle, it will inevitably confuse the two different types of contradictions, resulting in the mistakes of magnifying the scope of inner party struggle, undermining inner-party democratic life, and leading to political mistakes." (see p 1,100) Obviously, the author made expositions strictly in accordance with such viewpoints he proposed. He analyzed and commented on the "leftist" mistaken viewpoints and the "leftist" tendencies by regarding them as a mistake in understanding. True, he also explained that this mistaken understanding came into being under given social and historical conditions. However, it is impermissible to label the mistaken understanding as a class and regard it as bourgeois or petty-bourgeois. In my opinion, this is correct. Since experience tells us that willfully introducing class struggle within the party is very harmful, we should avoid repeating such mistakes while studying history. As regards mistaken tendencies within the party, a profound analysis of the root problem would at least give later generations useful experiences and lessons and would be better than labeling in an oversimplified manner.

Second, the book gives a meticulous analysis of many things, offers plots ignored by many readers, and proposes viewpoints which call for deep thought.

On this question, I would like to cite two examples. The Eighth CPC Congress in 1956 put forward a series of principles and policies which are still correct viewed today. In the anti-rightist struggle less than a year later, the scope of class struggle was magnified. The Third Plenary Session of the Eighth CPC Central Committee in September 1957 changed the views of the Eighth CPC Congress on the major social contradictions. The second conference of party delegates in May 1958 further developed the proposals of the Third Plenary Session of the Eighth CPC Central Committee. The launching of the "Great Leap Forward" and the people's commune movement in the same year apparently deviated from the track set by the Eighth CPC Congress, resulting in great harm. How was such a change effected in the two years after the Eighth CPC Congress? If we say that all the documents were put aside after the conclusion of the Eighth CPC Congress, it probably does not conform to the facts.

The book says that one of the great contributions of the 1956 Eighth CPC Congress was the timely decision made on shifting the focus of party and state work from emancipation of productive forces to protecting and developing productive forces. This is tantamount to a shift in the focus of work as frequently mentioned by people today. As a matter of fact, following the Eighth CPC Congress, the CPC Central Committee tried to shift the focus of work. The book says, "the general line of 'going all out, aiming high, and achieving greater, faster, better, and more economical results in building socialism' laid down by the Second Plenary Session of

the Eighth CPC Central Committee embodied the determination of the CPC Central Committee and Comrade Mao Zedong to shift the focus of work onto economic construction and reflected the ardent desire of the whole party and nation to put an end to China's backwardness." (see p 658) The book continues, "the general line of socialist construction proposed by the Second Plenary Session of the Eighth CPC Central Committee, which is based on developing productive forces, undoubtedly corresponds with the requirement of a switch in the focus of work." (see p 673) This statement conforms to the facts. The so-called "Great Leap Forward" at that time also intended to switch the attention of the whole party to developing productive forces. Of course, giving an accurate account of this does not mean defending the general line and the "Great Leap Forward" of that time. The book made a detailed exposition of "the defects in policy making and great differences in implementation" to explain that "the attempt to shift the focus of work failed to attain the anticipated results, conversely resulting in the three consecutive years of serious difficulties in economic life." (see p 658)

We can realize from a careful study of these expositions that a shift in the focus of work onto economic construction cannot be attained merely by subjective intent. Experience in 1957, as well as in 1959, 1962, and 1964, later proved the importance of the estimate of the situation. If class struggle is stressed excessively in an unfounded and inappropriate manner, it will inevitably undermine the good intention of shifting the focus of work. We can also see that stressing economic construction and placing the development of productive forces in a primary position must be ensured by a series of policies and measures. Naturally, we could not expect the formulation of the two basic points, including the policy of reform, opening up, and commodity economic development at that time. Nevertheless, the book uses vivid examples to prove the following point: If we do not understand and are not willing to acknowledge objective laws (objective economic laws and objective laws of nature), but instead apply the experience of mass movement acquired during the revolutionary war years to develop economic construction, it will undermine the productive forces and also shake our determination to shift the focus of work. The "Great Leap Forward" did not prove that the focus of work need not be shifted or that the national economy cannot be accelerated. As the book has made a detailed analysis of how the correct decision (of which some parts were imperfect) of the Eighth CPC Congress turned to its opposite, I think we can draw a good lesson from this.

Now I would like to cite another example from the book which is analyzed in detail. It is about the 1959 Lushan meeting. The Lushan meeting was first focused on opposing "leftist" tendencies, but it later changed to opposing rightist tendencies, which was extremely destructive to the whole party and nation. How could such a change be effected? Viewed superficially, it was a letter written by Comrade Peng Dehuai, and Chairman

Mao could not use a normal attitude for inner-party criticism to deal with the letter. Of course, these were the facts. But would the situation be absolutely different if Peng had not written the letter and if Chairman Mao's attitude toward criticism had been better? This does not seem to be convincing.

The book says that the orientation was correct in rectifying "left" tendencies more than a half year prior to the Lushan meeting. But it also points out that the rectification of "left" tendencies during that period was not thorough. The book says: "At that time it was carried out by fully confirming the 'three red banners.' If someone doubted the correctness of the 'Great Leap Forward' and the people's communes or wavered about them, he would be regarded as either an 'onlooker, an account settler, or even a hostile element.' Rectification of 'left' tendencies in such a situation could not, of course, be thorough. Therefore it was not strange that a relapse occurred in the latter period of the Lushan meeting." (see p 840) In other words, there was a profound cause for the relapse in the Lushan meeting. The relapse did not occur merely because of a letter from Comrade Peng Dehuai, which was an occasional matter. By being unthorough, it means that the meeting did not acknowledge or admit the faults in the guiding thinking for the "Great Leap Forward" and people's commune campaign, instead it regarded this campaign as being completely correct. The book says: "Therefore even some veiled criticism of the general line, the 'Great Leap Forward,' and the people's communes could make one an 'opposing side' and a 'rightist,' let alone 'extreme remarks.' Peng, Huang, Zhang, and Zhou were branded as 'right opportunists' because, in the final analysis, their demand for summing up the experiences and lessons in the 'Great Leap Forward' and the people's communes went beyond the limits and scope allowed by Chairman Mao. He could not agree to or accept it. The cause of a turn in the Lushan meeting was here, I think." (see p 867) Based on this, I think the following remarks of the writer of this book are expressed reasonably: "Even if Comrade Peng Dehuai did not write a letter to the Lushan meeting, different views and opinions on the 'three red banners' still existed; and because the views expressing overall support for the 'three red banners' occupied a dominant position, the Lushan meeting could not thoroughly rectify 'left' tendencies." (see p 875) Of course, we cannot derive a summation from the Lushan meeting that Comrade Peng Dehuai should not have written the letter. Peng Dehuai's letter did not and could not immediately produce good results, but from a long-term historical view, his letter has positive and great significance.

The Lushan meeting's treatment of different opinions in the party left rich and profound experiences and lessons for us. The book provides a full exposition on this. From this exposition, we can see that it is quite difficult to thoroughly rectify "left" tendencies in the party. By being thorough, it does not mean putting class labels on others or carrying out a cruel and merciless struggle (the Lushan meeting adopted a method similar to this);

instead, ideological problems should be thoroughly resolved. This book makes a profound analysis of the Lushan meeting. The intention, I think, may be here.

Third, as I have said above, the writer of this book thinks that during the 10 years from 1957 to 1966, our party experienced an arduous and tortuous period in exploring a socialist construction road suitable for China's national conditions.

I would like to say something about some problems in the course of exploration portrayed by this book. The book quotes Chairman Mao's remarks at the Lushan meeting in August 1961 as follows: "We have now acquired some understanding of socialism but are not too clear about it. In practicing socialism, we are studying in the course of construction. Only by carrying out socialism, can we gain experience in socialism. 'People do not have to learn how to raise children before marriage.'" Comrade Yibo commented on these remarks by saying: "At that time, the word 'exploration' had not come into vogue, but Chairman Mao's remarks had already explicitly indicated how to build socialism, namely to explore in the course of practice." (see p 1270) It is true that we can take predecessors' experiences for reference in having a complete understanding of something which has never been done before or which we are not clear about, but the most important point is relying on one's own experience and deep thinking based on this experience. Generally speaking, people will gradually remove wrong understandings after experiencing a repeated course of setbacks and failures, and then gradually acquire a profound and correct understanding from a superficial understanding. Acknowledging the necessity of exploration is a Marxist theory of understanding.

In China, the word "exploration" has a special meaning. At that time, at least Soviet leaders were of the opinion that for other countries to carry out socialist construction, there was no need at all to independently carry out exploration; what they needed to do was to draw a dipper with a gourd as a model, meaning that everything could and should be done according to the methods the Soviet Union already had—exploration was absolutely unnecessary. Therefore in such a situation, there was a need to carry out exploration in socialist construction. In other words, the Soviet Union should not be followed in everything one did, nor should one be required to do only what the Soviet Union did. We should say that Chairman Mao was the first to see that Soviet socialist construction experience was not utterly perfect but had quite serious shortcomings and weak points. Comrade Yibo's book says: "After the founding of the PRC, because we lacked experience, we basically followed Soviet practice in economic construction, but soon Chairman Mao discovered that this practice had many shortcomings, and thus made efforts to look for a road of socialist construction suitable for China's own conditions by taking Soviet experiences and lessons for reference." Chairman Mao also pointed out: "China's socialist construction rate may be speeded up, it should be faster and better than the Soviet Union's." (see p 659)

In 1956 Chairman Mao wrote "On Ten Major Relationships." His explanations of the weak points of Soviet socialist construction experience were extremely profound at that time. Therefore Comrade Yibo's book says: "In 1956 Chairman Mao started exploring a road for China's socialist construction, and the 'Great Leap Forward' waged in 1958 was the continuation of this exploration." (see p 718) But this exploration fundamentally failed.

It was not easy to get rid of the shortcomings of the Soviet pattern and then carry out exploration. It was not easy either even to raise such an idea, because this would be as bad as treason. It was the first socialist country in the world forming a seemingly complete set of experiences producing certain results and having a full set of theories protecting it; an authority had already taken shape which did not allow the slightest breach. During the democratic revolution, Chairman Mao creatively [sentence incomplete], which violated Communist International leaders' will, but he gained experience in taking his own road; during period of socialist transformation, he gained successful experience without copying Soviet methods. According to the initial experience in China's socialist construction, Chairman Mao sensibly saw the shortcomings and weak points of the Soviet pattern. Therefore Chairman Mao boldly proposed to the CPC for carrying out an independent exploration. Chairman Mao himself carried out this exploration. Many party leaders also carried out this exploration under Chairman Mao's encouragement.

Comrade Yibo's book repeatedly stresses the arduousness of explorations. Indeed, generally speaking, there is a complicated process from being ignorant of something to knowing it and from knowing little about something to knowing much about it. To put it more specifically, in socialist construction, it is even more complicated and difficult to remove some coagulated, incorrect ideas arising from Soviet experience.

According to the explanation of Comrade Yibo's book, I believe there were basically four situations in the 10 years of exploration from 1957 to 1966.

The first situation was still amid the shortcomings of the Soviet pattern. The most prominent example was that people thought that only a planned economic structure could be exercised under the socialist system, and this structure took state mandatory plans as the main body, completely negating the role of market economy.

The second situation was abandoning the rigid Soviet pattern, which restricted all kinds of initiative in society, but at the same time going to another extreme, namely, thinking that the productive forces could be unlimitedly improved and production relations could also be improved to the most ideal degree by carrying out large-scale mass movements regardless of the objective law governing economic and social development. But this turned out contrary to expectations. These movements were the "Great Leap Forward" and the people's

communes. Stressing class struggle was similar to what the Soviet Union did in the 1930's, but the former was carried out along with large-scale mass movements so it had its own characteristics and caused particularly serious disasters.

The third situation was carrying out some reforms, but these were not thorough and to little avail and were not persisted in. Comrade Yibo cited a prominent example in an article "An Experiment on Improving the Economic Management Structure." In "On Ten Major Relationships," Chairman Mao said that we should not learn from the Soviet Union, which gathered everything under the central authorities' management and put strangleholds on localities, allowing them no power to act on their own. Therefore he proposed expanding localities' and enterprises' powers. According to Chairman Mao's idea, during several years after 1956, reforms aimed at delegating powers to localities were carried out several times. Comrade Yibo confirmed that these reforms embodied beneficial exploration and experiments, but pointed out that these reforms could not produce effective results at that time but became repetitions of delegating powers and withdrawing powers. This was connected with the above two situations.

The fourth situation was that the party had done a great deal of work to rectify "leftist" tendencies. By means of this work, it reduced the harm caused by "leftist" mistakes, and accumulated much useful experience. What is particularly worthy of mention, the party also raised a new concept which, in the long run, has a high value. For example, at the Zhengzhou meeting in November 1958, Chairman Mao resolutely refuted the wrong idea on abolishing commodities, and stressed the importance of economic accounting. Subsequent to 1960, following the implementation of the policy of readjustment, consolidation, supplementation, and upgrading, central leading comrades proposed some important, good ideas concerning policies on industry, agriculture, and intellectuals. The book highly appraises the guiding thinking of the "17 Industrial Regulations" formulated in 1961 under Comrade Deng Xiaoping's leadership, the proposals raised in 1962 by Comrade Deng Zihui and other leading comrades on assigning production quotas to each peasant household, and the decision of Comrades Zhou Enlai and Chen Yi in 1962 on removing "labels" from intellectuals. The book also mentions the experiment on trust in the early 1960's. At that time Chairman Mao and other central principal leading comrades gradually discovered that there were many shortcomings with management over the economy and enterprises by administrative means alone. Comrade Liu Shaoqi mentioned the need to learn from capitalist experience in enterprise management. It is very easy to imagine that this idea was soon attacked as a bourgeois viewpoint. In short, those 10 years really saw positive and negative experiences, during which a number of good ideas also took shape and helped get rid of "left" ideological binds, thus preventing the shortcomings of the Soviet pattern from occurring.

But under such circumstances, these ideas either could only play a temporary role or were curbed immediately after their emergence.

From these examples, some people will probably say that explorations during those 10 years did not produce any result at all. But this idea is wrong. This is because first, as the "Resolution on Certain Questions in the History of the Party Since the Founding of the PRC" and Comrade Bo Yibo's book say, we achieved great successes in socialist construction in those 10 years despite serious setbacks resulting from leftist tendencies; second, positive and negative experiences appearing in the course of exploration both have, in the long run, major historical significance, or we can even say that without these positive and negative experiences, after 1978 it would not have been possible to speedily establish the idea of making economic construction the central task or to formulate the line, principle, and policy on adhering to the two basic points.

After 1990, some people in the world frequently asked why such changes as in the Soviet Union and East Europe did not occur in China. To answer this question, we will say that this is because we have embarked on the road of developing socialist economic construction by means of reform in the last 10 years. But we can further trace things back to 1956 when the 10-year exploration started. At that time, there was an unobstructed road for China to take, namely, to follow the Soviet pattern. If it took this road, it would not have committed the mistake of the "Great Leap Forward" or the people's communes, nor would frictions or clashes have occurred between China and the Soviet Union; instead, it could have maintained "unbreakable" relations with the Soviet Union and even become its big "satellite country." Finally, at the end of the 1980's, China would inevitably become one of the dominoes which started falling from Moscow! Thus it can be seen how important the explorations initiated by Chairman Mao in 1956 and 1957 were. Although these explorations could not help us to immediately evade the shortcomings of the Soviet pattern and instead reduced us to serious leftist mistakes for a period of time, yet this negative experience provided us with a profound lesson which could not be learned at any school. The new ideas gained by the party during the 10 years of explorations could not play their role temporarily, but they served as buds for the new ideas after 1978 and expressed the fine tradition of the party. While profoundly commenting on the mistakes in the 10 years of explorations, Comrade Yibo's book also carefully relates the valuable views and proposals raised by Chairman Mao and other comrades. This is quite significant.

The beginning of the second volume of Comrade Yibo's book mentions "On the Correct Handling of the Contradictions Among the People" written by Chairman Mao in 1957, and fully confirms the major theoretical and practical significance of the creative ideas proposed by this thesis. Comrade Yibo pointed out that these creative ideas were not recognized by the Soviet authorities at

that time. At that time, Soviet leaders said that the Soviet pattern was perfectly justified, but Chairman Mao had the courage to say "no" and carry out exploration. This offended Soviet leaders. When Khrushchev proposed a number of demands violating Chinese sovereignty in 1958, Chairman Mao resolutely decided that China would rather break off relations with the Soviet Union than knuckle under to pressure. Comrade Yibo's book deals with party and state economic and social development policies, and to a lesser extent some problems relating to the Soviet Union and the United States. Chairman Mao's policy on relations with the Soviet Union was a major policy involving China's destiny and with a bearing on the overall world situation. It merits careful study.

Jiang, Wan Li 'Battle' Over Banned Book on Leftism

HK2107054793 Hong Kong THE STANDARD in English 21 Jul 93 p 5

[Report by Agnes Cheung]

[Text] China's senior leaders are locked in a battle over a banned book on the country's history of leftism.

While Communist Party General Secretary Jiang Zemin has severely criticised Disaster of Leftism in China for putting the party in a negative light, the book, however, is said to have the support of the former chairman of the National People's Congress, Wan Li, who still has considerable influence.

He has told party cadres to read the book which provides a detailed account of events on leftism in the country between 1927 and 1977.

Chinese sources said the propaganda and ideological leading group of the party's Central Committee, led by Jiang, earlier sent a team to investigate the book's publisher, Chaohua Publishing House.

The publishing house was suspended after a team from the China National Publications Import and Export Corporation was deployed to check the background of the book's publication and to identify its authors, sources said. The team ordered the publishing house to take back all copies of the book from stores and gave it a heavy fine.

The publishers were also prohibited from putting out Chinese language books and its editor-in-chief was sacked.

A source noted that another sensitive book, published by Chaohua in April, The Elegy of 'Heaven', which described the misfortunes caused by people's communes in the 1950s, had also been banned under the excuse of a crackdown on pornographic publications.

Written by a group of authors under a collective pen name Wen Yu, the Disaster of Leftism drew much overseas attention after 50,000 copies of the book were printed in February.

Sources said a group of cadres led by Song Renqiong, deputy head of the defunct Central Advisory Commission, filed the first complaint against the book to the party central.

It led to an investigation of the publishing house by various party and government departments, including the party's Propaganda Department and the State's Press and Publication Administration.

Jiang Zemin, Li Peng, Others Inscribe for Paper

OW2107082893 Beijing XINHUA Domestic Service in Chinese 1023 GMT 6 Jul 93

[By reporters Zhao Wei (6392 5898) and Yin Hongzhu (1438 7703 4376)]

[Text] Beijing, 6 Jul (XINHUA)—On the occasion of the 10th anniversary of the founding of ZHONGGUO JIAOYU BAO [CHINA'S EDUCATION NEWS], party and state leaders Jiang Zemin, Li Peng, Li Lanqing, Li Tieying, and others recently wrote separate inscriptions to offer congratulations.

Jiang Zemin's inscription reads: "Strengthen educational and propaganda work to serve the training of successors to the cause of socialism."

Li Peng's inscription reads: "I warmly congratulate you on the 10th anniversary of the founding of ZHONGGUO JIAOYU BAO. I hope that you will further emancipate your minds, seek truth from facts, explore boldly, make persistent efforts, and make greater contributions to China's educational reform and development."

Li Lanqing's inscription reads: "Education is a matter of fundamental importance for generations to come."

Li Tieying's inscription reads: "Serve China's educational rejuvenation."

Sun Qimeng, Lei Jieqiong, Peng Peiyun, Zhao Puchu, Su Buqing, and other leading comrades also wrote inscriptions to congratulate the newspaper on its anniversary.

ZHONGGUO JIAOYU BAO, which is sponsored by the State Education Commission, is China's only education-oriented daily aimed at propaganda and education. When this paper started publication 10 years ago, Comrade Deng Xiaoping wrote its title. At present, it is being distributed nationwide and in more than 30 countries and regions in the world.

To mark the 10th anniversary of its paper's founding, the ZHONGGUO JIAOYU BAO office held a seminar at the auditorium of the National Committee of the Chinese People's Political Consultative Committee this

afternoon. Sun Qimeng, vice chairman of the National People's Congress Standing Committee; Zhu Kaixuan, minister in charge of the State Education Commission; and some renowned persons from Beijing's educational circles expressed their opinions on further steps to be taken to better run ZHONGGUO JIAOYU BAO.

Li Peng, Li Tieying Inscribe for New Journal

OW2107042993 Beijing XINHUA Domestic Service in Chinese 0817 GMT 7 Jul 93

[Text] Beijing, 7 July (XINHUA)—ZHONGGUO ZHIYE JISHU JIAOYU [CHINA'S VOCATIONAL AND TECHNICAL EDUCATION], a journal sponsored by the State Education Commission, was inaugurated recently. Li Peng, Li Tieying, and Sun Qimeng penned inscriptions for the journal.

Li Peng's inscription reads: "Develop vocational and technical education in keeping with the needs of socialist modernization construction."

Li Tieying's inscription is: "Go all out to develop vocational and technical education."

The objective of the journal is to publicize the party and the state's principles and policies on vocational and technical education. It will provide a forum for vocational and technical schoolers to exchange experience and conduct research, as well as introduce advanced people and deeds for guiding and promoting reform and development of China's vocational and technical education.

The journal is published by the State Education Commission's Vocational Education Department, the Center for Studying Vocational Education, and the Society of Vocational Education.

Li Lanqing Attends Forum on Education, Hope Project

OW2107043793 Beijing Central People's Radio Network in Mandarin 2230 GMT 17 Jul 93

[From the "News and Press Review" program]

[Text] A forum was held yesterday [17 July] in Beijing to discuss the implementation of China's educational reform and development program and to promote the implementation of the Hope Project. Attending the forum were: Li Lanqing, member of the CPC Central Committee Political Bureau and vice premier of the State Council; Lei Jieqiong and Wu Jieping, vice chairmen of the Standing Committee of the National People's Congress; Kang Shien, president of the Work Committee for Nurturing the Next Generation; responsible persons of departments concerned; representatives of the press, educational, business, and cultural circles; and those representing the Hope-project recipient areas.

In his speech, Li Lanqing pointed out: The key to becoming a developed country lies in qualified personnel

and the training of qualified personnel relies on education. Education is of fundamental importance to the fulfillment of our great long-term mission. We should make education a strategic priority. He said: The Hope project is of great significance not only because it pools funds for education, but, more significantly, it arouses the society's attention, care, and support for education. He urges governments at all levels to support and promote the Hope project.

While speaking at the forum, the participants hoped that our country will make education a matter of prime importance; further increase educational investment; and truly implement the requirements of the program for China's educational reform and development. They also called on all sectors of the society to pay close attention to the Hope project and to make suggestions in this regard.

Funding of New Universities, Curricula Planned

OW2107065193 Beijing XINHUA in English 0630 GMT 21 Jul 93

[Text] Beijing, July 21 (XINHUA)—China will raise funds for the construction of 100 new major universities and the setting up of new curricula in some existing universities across the country, the "PEOPLE'S DAILY" [RENMIN RIBAO] reported today.

The aim is to improve the overall level of higher learning in China, speed up the reform of the management system of universities and colleges, and their funding, as well as to create a new educational system of higher learning to suit the demands of the development of the socialist market economy.

The State Education Commission pointed out in "suggestion for the construction of a group of new key universities and the setting up of new curricula in some existing universities", which was published recently, that the program would take at least 10 years to complete.

The launching of new construction projects under the program can only be carried out after consultation with experts and getting approval from local administrations.

Meanwhile, the State Education Commission has stressed that the construction must not adversely affect the normal development of education.

Daily Reports Book Publication Plans

OW1907075893 Beijing XINHUA in English 0725 GMT 19 Jul 93

[Text] Beijing, July 19 (XINHUA)—China plans to publish 1,169 titles of books during the Eighth Five-Year-Plan period (1991-1995), today's "PEOPLE'S DAILY" [RENMIN RIBAO] reported.

Priority is given to the publication of books on Marxism-Leninism and Mao Zedong Thought, and the theories of senior leader Deng Xiaoping on building socialism with

Chinese characteristics. Other books will concentrate on science and technology, and economic construction.

Books on social sciences will take up 29.5 percent, books on literature and art, 22.4 percent; books on science and technology 30.7 percent; and books on other special topics, 17.4 percent.

So far, 35 to 40 percent of these books have already been published.

Xiamen Receives Illegals Repatriated From Mexico

HK2107031293 Hong Kong TA KUNG PAO in Chinese 21 Jul 93 p 2

["Special Dispatch" from Xiamen by staff reporter Yang Hsiao-yang (2799 1420 3152): "More Than 600 Illegal Immigrants Arrive in Xiamen by Special Plane"]

[Text] Xiamen, 20 Jul (TA KUNG PAO)—This reporter has learned here that more than 600 illegal immigrants, who were on board three ships and detained in Mexico a few days ago, have been repatriated to the mainland by four special planes. Three planes arrived at Xiamen airport today and the last one is scheduled to arrive here tomorrow afternoon. It has been reported that most of the illegal immigrants are residents of Changle and Fuqing Counties in the suburbs of Fuzhou.

It has been reported that the four planes flew from Mexico direct to Xiamen. Each plane carried more than 50 Mexican security personnel, as well as staff members of the Chinese Embassy to Mexico. When the planes arrived in Xiamen, the illegal immigrants looked rather excited. After giving their names and addresses, they were immediately separated and escorted by personnel from their residential area to their homes.

Beijing and Fujian departments have attached great importance to the repatriation. The Foreign Ministry, Fujian Public Security Department, and provincial foreign affairs office have all sent personnel to Xiamen airport to handle the matter.

It is said that stern punishment and education will be adopted for this group of illegal immigrants. Through screening, the first offenders will receive education, while repeat offenders will be sent to labor camps and will owe fines. The "snake-heads" and those who have committed rape will be sternly punished by law in light of the seriousness of the case.

Returnees Face 'Reeducation Camp'

HK2107093693 Hong Kong AFP in English 0756 GMT 21 Jul 93

[By Gilles Campion]

[Text] Beijing, Jul 21 (AFP)—The some 650 Chinese repatriated by Mexico this week will be sent to labor

camps in the province of Fujian, where most of them came from, a provincial official said Wednesday [21 July].

The would-be emigrants, who were caught at sea on their way to the United States, will do "a few months of re-education camp," the official said by telephone.

"They have little education and know nothing about the real world, that is why it is necessary, once they have returned to China, to have them spend some months, maybe a year, in a re-education through labor camp," the official said.

The comment was an apparent reversal from a statement earlier that the emigrants would not be punished.

Zhang Zhenlang, director of the civil affairs department in Fuzhou, capital of Fujian Province, was quoted on Monday by the Beijing-backed WEN WEI PO daily as saying that "the authorities will give them lectures before sending (them) home" but "they will not be punished when they return to China."

Sentencing to "laojiao" or re-education through labor is considered in China as an administrative measure and can be inflicted without trial for up to three years.

A fourth plane bringing the last group of 69 from the three shiploads of Chinese was landing Wednesday at the airport of Xiamen, a booming city in the southeastern province.

The first plane from Mexico arrived Monday with 145 Chinese. Two other planes landed Tuesday, bringing a total of 445 would-be emigrants, the official said.

The total of 659 had boarded the three cargo ships leased by the human traffickers three months ago. But the U.S. Coast Guard boarded the ships off the Mexican coast and, after a week of negotiations, Mexico agreed to carry out the repatriation of the passengers.

The United States did not want to allow the Chinese on U.S. soil for fear that, under U.S. law, it would take months or years for them to be repatriated. Mexico said it had agreed to take charge of the situation for humanitarian reasons and not under U.S. pressure.

"Most of these emigrants are men who came from the middle class; they are not poor nor rich but have little education. They also left their families in China," said the official, adding that most often when Chinese try to emigrate they "leave with their wives and children."

The official said that each would-be emigrant had paid between "30,000 and 50,000 dollars, even 60,000 dollars," said the official. "The immigrants do not have that amount of money, but indebted themselves with the traffickers."

Chinese sources say that those seeking to emigrate must make a down payment of between 10 and 15 percent of

the total fee, then pay the rest by committing themselves to what could be described as "slave labor" in the United States.

"These illegal emigrants are convinced that streets are paved with gold in Japan, Mexico or the United States and that they will make their fortunes there," said the official.

With regard to the traffickers themselves, the official said "they will be condemned to strong prison sentences which could go as high as life." Meanwhile in Hong Kong, WEN WEI PO said Wednesday the would-be emigrants claimed to have been victims of extortion and rape during their sea voyage.

Quoting those who arrived separately on Monday and Tuesday in Xiamen, including 35 women, it said they accused the ships' crews of committing rape and extorting valuables out of fear they would not be paid by the trafficking syndicates.

Women were kept in smaller quarters and were allegedly raped and beaten up by crew members. An 18-year-old returnee identified only as Li told the daily that some 100 of the passengers were locked inside the holds and were not allowed on to the deck.

Military

Jiang Zemin on 'Disputes' With Police, Civilians

HK2107120093 Hong Kong MING PAO in Chinese 21 Jul 93 p 7

[Report by special correspondent: "Jiang Zemin Urges Army To Pay Attention To Strained Relations With Civilians and the Police"]

[Text] Recently, Jiang Zemin, chairman of the CPC Central Military Commission, and Liu Huaqing and Zhang Zhen, vice chairmen of the Central Military Commission, separately wrote instructions on a report submitted by the General Political Department of the People's Liberation Army [PLA], requiring the Army to pay attention to the currently strained relations with the civilian population and with the police in some localities. The report mentioned that, in the first half of this year, disputes between the Army and civilians and between the Army and the police became more prominent. This has drawn special attention from the CPC central leadership and the military leadership.

Not long ago, the PLA General Political Department submitted an internal report to the Central Military Commission, pointing out that some new conditions and new problems occurred in relations between the armed services and the civilian population and between the armed services and the police. According to statistics, such disputes increased by 14 percent over the same period last year. A more serious fact was that as many as 30 disputes between the armed services and the local

police occurred in this period, four times higher than during the same period last year.

The same report aroused special attention from the leaders of the Central Military Commission. Jiang Zemin wrote an instruction on the report, requiring that attention be paid to some new problems appearing in the relationship between the armed services and civilians. He stressed the need to improve the work of supporting the Army and supporting the government. At the same time, Liu Huaqing and Zhang Zhen, vice chairmen of the Central Military Commission also separately wrote instructions on the report, requiring that Jiang Zemin's instruction be implemented and the "double support" work be done well.

After receiving the instructions, Yu Yongbo, director of the General Political Department, immediately required the propaganda departments in the military at all levels to strengthen reports and propaganda on "double support" around PLA Day on 1 August and create opinion influence in society and inside the Army.

The "new conditions and new problems" mentioned in the General Political Department's report referred to the increasing disputes caused by the economic interest contradictions under the current situation of economic development between the armed services and civilians or between the police and civilians. On the other hand, disputes between the armed services and the police mainly occurred between military transport units and police traffic administration authorities and between military units involved in smuggling activities and the police's antismuggling force.

The report particularly mentioned that, because the income gap was getting wider between the military personnel and civilian people, some troops stationed in southeast coastal areas even openly robbed and extorted local civilians. Those who committed such crimes were often demobilized soldiers. Moreover, disputes over land ownership and trade disputes also occurred frequently between military units and civilians. The disputes between the armed services and the public security or armed police force were also mostly related to economic interests. In the most serious case, a naval unit stationed in Shandong in the first half of this year smuggled South Korean cars, and the naval landing ships engaged in smuggling were shot and damaged by the armed police's antismuggling patrol boats. In many cases, military units used military vehicles to transport energy sources and raw materials for civilian institutions, and armed conflicts occurred between these military units and the traffic police force along the road.

On the other hand, in discussing relations between the police and civilians, a China police officer recently said that, although a police ranking system has been adopted, the ranks have not been linked with wages. Salaries for the police personnel will not be raised until the civil service system is established. At present, police officers only earn modest wages. For example, a police officer

with 10 to 20 years of seniority normally only earns 300 yuan a month, so the social status of policemen is very low. Serious problems still exist in the law-and-order situation, however, and the police have to carry out arduous duties. These circumstances have led to a certain morale problem in the police force.

This officer did not deny that the image and reputation of the police force had become lower in society, but he said that the police authorities had done everything they could to check this. In many cases, they simply found it hard to explain what a difficult condition they were facing.

Army Editorial Expounds Deng's Military Thought

OW2007123893 Beijing XINHUA Domestic Service in Chinese 0449 GMT 20 Jul 93

[Text] Beijing, 20 Jul (XINHUA)—JIEFANGJUN BAO today carries an editorial expounding Comrade Deng Xiaoping's thought on the army building in the new period.

The editorial, entitled "Earnestly Study and Implement Deng Xiaoping's Thought on the Army Building in the New Period," noted that since the Third Plenary Session of the 11th CPC Central Committee, the army building has been proceeding amid a relatively peaceful international environment and amid a domestic environment of reform and opening up. In light of the new situation, Comrade Deng Xiaoping has shown great foresight; understood the times and the situation; timely and specifically advanced important thoughts on the army building for the new period; creatively found the answers for such major issues as the direction, goals, and ways for the development of our Army and the basic policies and principles of the army building; and enriched and developed Mao Zedong military thought. President Jiang Zemin succinctly pointed out that "Comrade Xiaoping's thoughts on the army building in the new period is the important part of the theory on building socialism with Chinese characteristics, which reflects the basic law of the army building in the new period and the fundamental basis and guiding thought for the army building and reform under the new historical conditions."

The editorial stated that Comrade Deng Xiaoping has called on us to change the guiding thought for the army building and correctly handle the relationship between the army building and the nation's economic construction. He pointed out that China exceedingly needs a peaceful and stable environment to concentrate its efforts on socialist construction. To that end, it is necessary to build our Army into a strong, modernized, and regularized revolutionary army. This sets the general goals for our army building in the new period. To realize those general goals, Comrade Deng Xiaoping has always attached high importance to and stressed the issues of the nature and functions of our army. He earnestly instructed us to always persist in the party's absolute leadership over the army; strive to make the Army a

model for thorough implementation of the party's line, principles, and policies; enhance and improve ideological and political work; make the contingent of cadres more revolutionary, younger in average age, better educated, and professionally more competent; carry forward and develop our party's and our Army's excellent traditions; uphold the true nature of the old Red Army; and better shoulder the heavy historical tasks of safeguarding socialist motherland and the four modernizations construction.

The editorial pointed out: In line with our Army's present low modernization level, a contradiction which goes against the requirements for wars using high technology, and according to the universal law for building a modern army, Deng Xiaoping repeatedly stressed the need for modernization construction and for expediting the modernization process. To solve this problem, he proposed the following to build a strong and lean army: cut the number of troops; reduce and simplify organs; reform structure and staffing policy; respect knowledge and qualified personnel; step up scientific research; develop our own high and new technology; constantly improve weapons and equipment; raise education and training to a strategic position; carry out rigorous training; set strict demands; give particular attention to running schools well; train cadres with the capability to conduct modern warfare; perfect laws and regulations; strictly enforce discipline; enhance management; strictly manage the Army according to regulations; strengthen logistics support in line with adapting to the requirements for the situation in the new period and for modern warfare; carry forward Mao Zedong military thought; develop our country's military science; and other items.

The editorial stressed that the path that Comrade Deng Xiaoping has chosen for us is a path that will lead to a strong and lean army with Chinese characteristics. When carrying out modernization construction, our Army must proceed from our country's actual situation and from our own military situation. We must not blindly copy practices of foreign armies, nor should we refuse to borrow useful things. We must face up to the world and the future; constantly emancipate the mind; change the mindset; vigorously and steadily deepen military reforms; be enterprising in the course of development; be aware that modernization cannot be realized immediately, but that we should not passively wait for its realization; and strive to realize the set goals in a planned and step-by-step manner. Officers and men, particularly all levels of leading cadres, must voluntarily respond to the calls of the Central Military Commission on making efforts to study, understand, and implement well Comrade Deng Xiaoping's thoughts on the army building in the new period. The studying of Comrade Deng Xiaoping's thoughts on the army building in the new period must be linked with the studying of Mao Zedong military thought and with the studying of President Jiang Zemin's important speeches since the 14th CPC National Congress. That way, we will have a more

complete, accurate, and in-depth understanding of Comrade Deng Xiaoping's thoughts on the army building in the new period.

Shandong Military District Holds Party Plenum

SK2107100993 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 20 Jul 93

[Text] At the plenary meeting of the provincial military district party committee held on 18-20 July, Liu Guofu, member of the standing committee of the provincial party committee and political commissar of the provincial military district, stressed that efforts should be made to strengthen the self-development of the party committee, unceasingly enhance its ability to command the militia and reserve duty work under the new situation, and enable our province's building of national defense reserve force to continuously stand in the van of the country.

Liu Guofu pointed out: To make the self-development of the party committees at all levels of the people's armed forces departments across the province meet the needs of the new situation, we must deeply and thoroughly study Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, strengthen the political sensitivity of the party committee leaders, and grasp the orientation of building the militia and reserve duty force. It is necessary to strictly implement the party's principle on democratic centralism and guarantee the correct and effective implementation of the policy decisions of the party committees. We should straighten out the guiding ideology for our work, firmly cultivate the work style of seeking truth from facts and doing practical things, dare to look squarely at problems, expose contradictions, and extensively promote the practice of conducting investigation and study.

Yi Yuanqiu, commander of the provincial military district, also gave a speech at the meeting.

Economic & Agricultural

Further on Finance Minister's Remarks at Conference

HK2107051593 Beijing CHINA DAILY in English
21 Jul 93 p 1

[By staff reporter Liu Weiling: "Deficit Looms, State Calls For Cuts"]

[Text] The government must redouble its efforts to boost national revenues and slash expenditures to remain within the 1993 State budget, Finance Minister Liu Zhongli said yesterday.

Liu, speaking at a four-day national finance conference, said the task is "tough" and comes at a time when the country tries hard to rectify its financial structure.

Liu told his audience of provincial finance department heads that inflation and over-consumption are the causes of the nation's financial difficulties.

During the first half of this year, China chalked up a revenue of 164.554 billion yuan (\$28.37 billion), 3.5 percent more than the same period last year but falling 61.3 percent below the year's target.

National expenditures in the first six months increased 12.5 percent to 161.897 billion yuan (\$27.91 billion), accounting for 36.3 percent of the year's budgeted amount.

This leaves a balance of 2.657 billion yuan (\$458.1 million), much less than what was left at this time last year.

Because expenses outstripped revenues, the government faces a deficit which will result in delays of key projects, he said.

The minister noted that by the end of June, China had only fulfilled 30.7 percent of this year's plan for funding major capital construction projects, down 6.5 percent from the corresponding period last year.

On the other hand, the government expenses, which are subject to strict controls, have risen 27.1 percent above expenses for the same period in 1992.

Liu said China must make a greater effort to keep this year's deficit within the budgeted limit.

This requires more macro-economic control, stronger financial management and accelerated reforms to increase revenue and reduce expenditures.

"Steps must be taken to ensure a timely and full collection of all tax and dues, as this is essential to keep the deficit under control," Liu said.

In the latter part of this year, China will crack down on tax evasion and stop offering new tax breaks, he said.

Liu also called for protecting the State-owned assets, "for since recently such assets have suffered losses as a result of unscrupulous steps taken by local authorities in absorbing foreign investments."

He said that some local governments and units are too eager to cooperate with foreign investors to ignore the evaluation of the assets.

He said such activities which disregard national interests to attract foreign investment must be stopped, and China has begun to give priority to evaluating State-owned assets.

The government will audit revenues and other finances to halt any losses, Liu said, and focus on the taxes and transactions of financial and securities companies, real estate companies, large-scale foreign-trade companies and large and medium-sized enterprises.

Earlier this month, China began a campaign to strengthen the central bank in order to restore financial order, enforce financial discipline, and promote banking reforms.

Liu also said that China will speed up tax and finance reforms.

Ministry To Audit Tax Payments, Accounting Systems

OW2007134093 Beijing XINHUA in English 1309 GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—An annual nationwide check on tax payments and accounting will be moved up by two months this year, and will commence in early August, according to an announcement made by the Ministry of Finance here today.

The move aims to boost state revenues by remedying the loosened management of tax collection and by strengthening controls on accounting methods, said an official with the ministry.

Over the past dozen years, the size of China's state coffers has failed to grow at the same pace as the expanding national economy. Revenue losses suffered through tax evasion and accounting fraud are described as "appalling" by Jin Xin, head of the State Taxation Administration.

The upcoming inspection will focus on tax and profit payments, the turnover of funds on energy and transport, budget funds in enterprises, the implementation of state financial regulations, and on limitations that govern the institutional purchasing of state-controlled commodities.

The review is also designed to detect any violations of the state's prohibition on issuing paper notes that can be used as money to shop at designated stores.

It will focus on banks, insurance firms, securities companies, non-financial institutions and companies in the tourist and entertainment sectors, according to the Finance Ministry.

Companies involved in real estates development, business firms under administrative units, large foreign trade companies, share-holding enterprises and economic-law enforcement departments will also be examined.

Finance Minister Liu Zhongli stressed here today that offences exposed during the national tax review will be seriously dealt with in light of relevant tax laws and accounting regulations.

Unauthorized Tax Cuts To Stop

OW2107134593 Beijing XINHUA in English 1138 GMT 21 Jul 93

[Text] Beijing, July 21 (XINHUA)—The State Administration of Taxation (SAT) has pledged to ban all violations of tax laws and will launch a major inspection of tax cuts throughout the country in the latter half of this year.

According to SAT head Jin Xin, the state will not issue new policies of any kind regarding tax reduction and exemption in the remainder of this year and will stop giving permission for tax cuts, even in cases of difficulty and temporary measures.

Jin told a national meeting on tax collection which opened here yesterday that grassroots tax administrations must see that enterprises whose tax-cut periods have expired pay their due taxes. He said no tax reduction will be allowed for investment in fixed assets.

"Despite the central authorities' repeated orders to ban unauthorized tax breaks, tax reductions and exemptions allowed by some localities are eating more and more into state revenues," Jin said.

"This and other malpractices, including tax evasion and tax delays, have caused the state revenue to lag far behind the growth of the economy, thus greatly weakening the central government's capacity to conduct the macro-control of the economy," he said.

Yesterday, Chinese Finance Minister Liu Zhongli urged stricter restrictions on tax breaks and stressed that tax collection is the major means to replenish the state's ever-shrinking coffers.

Meanwhile, preferential policies as regards taxation announced by localities independently to attract foreign investment will be nullified, as will those applying to development zones set up without the State Council's approval.

The SAT head outlined the focus of tax collection and administration as self-employed businesses, refund for exports, Sino-foreign joint ventures and solely foreign-funded enterprises as well as individual income taxation.

He asked tax collectors at all levels to employ every means stopping loopholes in taxation collection and strive to fulfil and surpass this years target.

According to SAT sources, the state collected a total of 141 billion yuan in industrial and commercial tax in the first half of this year, up 12.4 percent over the same period of last year.

'Thorough Check' on Quality of CPA Firms Planned

OW2007135593 Beijing XINHUA in English 1325 GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—The Finance Ministry will carry out a thorough check on professional quality of over 2,500 certified public accounting (CPA) firms in China, it was announced here today.

An official in charge of accounting under the ministry said that the number of CPAs in China has risen to over 10,000 in just a few years as a result of fast economic expansion.

However, he admitted that some firms exhibit low professional skills and are lax in management. To seek high economic returns, some firms have presented false certification and accountancy testimonials for enterprises, which have resulted in the loss of state property and greatly infringed on the interests of investors.

The absence of laws to standardize CPAs' behavior and practices in CPA firms has also allowed for the dishonesty of these firms, said the official.

"These firms have impaired the image of public certified accountants and their malpractice will hamper the establishment of a market economy. Therefore a check-up is imperative," said the official.

Those firms which fail to meet the professional standards set by the Finance Ministry and have a record of dishonesty will be closed.

To ensure auditing quality, all part-time CPAs will no longer be allowed to practice auditing and their professional titles as CPAs will be removed, "except those few with our special approval," said the official.

The Finance Ministry is stepping up efforts to train more young and qualified CPAs and has set up a standardized national examination for CPA qualification.

The qualification test for this year is scheduled for September, said the official.

Daily: Accounting System Oriented to Market Economy

HK1907012893 Beijing RENMIN RIBAO in Chinese 30 Jun 93 p 2

[By reporter Li Jianxing (2621 1696 5281): "China's Accounting System Oriented to Market Economy; New Financial, Accounting Systems To Be Implemented 1 July"]

[Text] Beijing 29 Jun (RENMIN RIBAO)—With State Council approval, the "General Principles for Enterprise Finance" and the "Standards for Enterprise Accounting" promulgated by the Ministry of Finance will come into effect in China on 1 July. The implementation of the new financial and accounting systems will enable such

systems in China to shift from the planned commodity economy onto the track of the socialist market economic structure. To ensure the smooth process of the conversion, the Ministry of Finance has separately formulated and issued measures for the convergence of the new and old financial and accounting systems for all trades; some 10 million finance and accounting personnel already have gone through six months of study and training.

There are 12 chapters and 46 articles in the "General Principles for Enterprise Finance," including general principles, funds collection, circulating assets, intangible assets, deferred and other assets, investment in foreign countries, cost and expenditure, and operational income, as well as profits and their distribution, hard currency operation, enterprise liquidation, financial reports, financial assessment, and so on. The "General Principles for Enterprise Finance" have unified the financial systems of different enterprises, and made important reforms in the existing financial system in the following aspects: establishing the business capital system; abolishing the method of depositing funds in special accounts; reforming the depreciation system; reforming the cost control system; and establishing a new enterprise financial index system.

There are 10 chapters and 66 articles in the "Standards for Enterprise Accounting." The chief features include general principles, assets, debts, rights and interests of owners, income, expenditure, profits, financial reports, and so on. Compared with the existing accounting and accounts adjustment system, the "Standards for Accounting" have broken through the traditional accounting and accounts adjustment control pattern, stipulated the general principles of accounting and accounts adjustment, adopted the universal accounting equilibrium formula and the accounting report system, reformed the current complete cost method to the manufacturing cost method, and stipulated the specific application to stability in the accounting and accounts adjustment in China.

A related responsible person of the Ministry of Finance indicated that the coming into effect of the two documents on 1 July spells out unified procedures for all enterprises in their financial and accounting work across China. The understanding that converting the systems could be carried out slowly through accounts readjustment, or waiting until the year-end final settlement was harmful.

Economic Reform Report Stresses Central Control

HK2107042093 Beijing CHINA DAILY in English 21 Jul 93 p 4

[Report by Wang Rong: "State Control Is Critical in Drive to Economic Reform"]

[Text] Strong government control is essential if China is to move smoothly and successfully to a market economy, according to two Chinese experts.

And if the State is to gain that control it must first improve its ability to absorb revenue, said Wang Shaoguang and Hu Angang in their recently finished report on China's economic reform.

Without this ability the government loses its power to regulate and promote the economy, they said.

At present local governments have too much economic muscle which they wield at the expense of the central government, they said.

In order to regain control, the State must also reform its fiscal relationship with the regions.

The scholars made their voices heard when their 140,000-word report was submitted to the departments concerned early this month.

The report defines State capacities and tries to explain why a strong central government is now particularly crucial to China. It also comes up with a plan to strengthen the State's ability to absorb revenue.

"The issue is what kind of role it should play, how to improve and enhance its functions, and where changes are needed to fit the existing mechanism into a market economy framework the 14 years of reform is meant to bring about," Hu explained.

Wang and Hu put forward four components of State power, but at their core is its ability to absorb revenue money.

It is this that will determine whether the government can achieve its modernization goals, they said.

And their report noted: "The weakening of this capacity, which was the case in the past decade in China, indicated the decline of the State's capacity to push forward reform and modernization."

The fiscal responsibility system adopted in the 80s invigorated local economies but also cut the revenue element of Gross National Product from 31 percent in 1978 to 14 percent in 1992.

Accordingly, the central government took in less and less cash.

Central revenue was also seriously affected by massive tax evasion, cheating and wanton promises of tax-cuts made by local governments to attract foreign investors.

Although many people have failed to realize it, economists have already made clear that sustained economic development is impossible without a strong State as its regulator and promoter.

By their nature unregulated market systems pay little or no heed to such strategic areas as basic industries, health and education, scientific and technological research, and the preservation of the environment and natural resources.

And, the report said, China has special reasons to require a strong central government.

These include problems such as its bloated population, environmental deterioration, poor infrastructure, increasing unemployment and the widening income gaps between regions, individuals and urban and rural areas.

Hu and Wang believe the central government must spend more cash to solve these problems and ensure the transition is not held back.

But, said Hu: "Reform and modernization would thus become more expensive, and only a financially strong central power can afford the costly task."

And he stressed that it would cost the country dear if people believed the market economy cleared them to indulge in tactics like undisciplined speculation in real estate and securities, tax fraud, regional protectionism and bad local tax policies.

Practices like these were "actually against the principles of a market economy," said Hu. And he pointed out that the drive to openness should do nothing to affect State interests.

He and Wang repeatedly stressed that they are not advocating a return to centralized power and the recall of the planned economy.

In a market economy, it is up to the State, besides setting broad economic policies, to chart the path of development, identify and promote sectors for new investment, encourage entrepreneurs and prevent unacceptable inequalities in economic power and income.

The State is also responsible for promoting economic efficiency and technical advances, for reforming the management of public systems, and for pursuing policies that mobilize resources and strengthen the performance of public sector enterprises.

China's planned economy cannot just drift into the market economy framework. Changes in government functions are imperative.

Hu and Wang said the government should cease to be main source of investment for State enterprises and should cut its role in their business operations.

Meanwhile, it must increase its public investment, concentrating on infrastructure such as water and electricity, transport, urban construction, post and telecommunications and environmental protection.

The government should also do more to provide public services like education, training, public hygiene, family planning and scientific research.

Therefore, "mending, patching up or partial adjustment of the present political and fiscal systems can hardly stop the decline of State capacity," they said. "Neither can they permanently solve the conflicts between local and central governments."

Their solution is to raise the ratio of revenue to GNP and allow local governments more chance to participate in central policy-making and to represent local interests in resource allocation.

They also suggested constitutionalized division of authorities between the central and local governments, tax federalism, separation of central and local taxes, unified tax rates for Chinese and foreign or joint-venture firms, adopting personal income taxes and social welfare programmes.

The role of the central government in leading the transition to a market economy is also emphasized by many other established economists.

State Construction Industry Expands Overseas

OW2107084393 Beijing XINHUA in English 0648 GMT 21 Jul 93

[Text] Nanjing, July 21 (XINHUA)—China's construction and engineering sector is now making headway in expanding its overseas services.

Since 1979 this industry has signed over 33,000 contracts with 160 countries and regions, involving over 25 billion U.S. dollars. It has fulfilled over 15 billion U.S. dollars-worth of contracts, said Zhang Yunkuan, an official of the Ministry of Construction, in this capital of east China's Jiangsu Province.

The country has granted the right of conducting foreign economic and technical co-operation to ten construction companies in various localities including Fujian, Sichuan, Gansu and Jiangsu Provinces and Beijing. They have built about 10,000 buildings overseas.

China has 25 million construction workers, and has sent over 600,000 on jobs in other countries.

Four of China's construction companies rank among the biggest contractors in the world.

For example, the Nanjing Overseas Construction and Engineering Corporation has signed contracts with 18 countries and regions for building hotels, hospitals, ports, factories, bridges, highways, residential areas and cultural facilities. Its major projects have been mainly in the United States, Japan, Canada, Singapore and Kuwait.

Workers at Foreign-Funded Firms Claim Unfair Treatment

HK2107053093 Beijing CHINA DAILY in English 21 Jul 93 p 3

[By staff reporter Li Hong: "Some Complain of Unfair Pay"]

[Text] Some workers in foreign-funded enterprises have begun to complain about ill treatment by foreign bosses.

The reason: unfair payment.

They alleged that they are given less for the same work done by their peers at some Sino-foreign joint ventures and even some State-owned enterprises, said a report from the Ministry of Labour.

Chinese regulations stipulate that the average payment to a labourer with overseas invested-firms should be 20-50 percent higher than that of a worker in a Chinese State-owned factory.

Investigations done by labour administrative departments show that 90 percent of joint ventures have paid their workers no less than "the 20 percent minimum," but some failed to "toe the government line."

Labour officials in Hubei Province in Central China discovered that some foreign-funded firms in the province had paid their employees 360 yuan (about \$63) less a year than workers in State-owned factories.

Chinese managers of joint ventures also have grievances against their foreign counterparts because a Chinese manager is usually paid one-tenth to one-twentieth what a foreign manager gets, the report said.

The labour ministry said that some foreign-funded firms in China failed to sign contracts with their employees and establish workers' trade unions. Some even lay off their workers at random, violating workers' rights.

Hubei Province has found out some women employees, after getting pregnant, were discharged by their foreign employers.

Rules on Information Disclosure for Public Share Issues

OW1807113393 Beijing XINHUA Domestic Service in Chinese 0706 GMT 25 Jun 93

[By correspondent Ding Jianming (0002 1017 6900)]

[Text] Beijing, 25 Jun (XINHUA)—The China Securities Supervision and Management Committee recently announced the "Detailed Rules Governing Disclosure of Information by Companies that Issue Shares to the Public." The rules were drawn up by the committee in accordance with relevant stipulations of the State Council's "Provisional Regulations Governing the Management of Share Issue and Trade" to safeguard the good order of our country's securities market, to promote the healthy development of the securities sector, and to protect investors' legitimate rights and interests as well as the fundamental benefits of the general public. The promulgation of the "Detailed Rules" indicates that our country has taken another step toward standardizing the securities market.

The system requiring companies that issue shares to the public to disclose information is one of the core principles of the modern securities market. Whether or not companies that issue shares to the public disclose true, accurate, complete, fair, and prompt information will have a direct effect on the reflection and safeguarding of

the principle of unity, high efficiency, fairness, and openness of the securities market. Therefore, the most important task of the committee in supervising and managing companies that issue shares to the public is shown in its management of information disclosed. It may be said that the "Detailed Rules" is an important basis for the committee to supervise and manage information disclosed by companies that issue shares to the public.

The "Detailed Rules" stipulates that companies that issue shares to the public within the boundaries of the PRC shall all register their prospectuses with the committee. All companies that are registered with the committee to issue shares to the public shall disclose relevant information as required. Limited shareholding companies that issue shares to the public and have their shares listed on securities exchanges must make public the following information: prospectuses; announcement of market listing; regular reports, including annual and interim reports; and provisional reports, including notices on major events, acquisitions, and mergers. All founders or directors of companies must undertake the guarantee to make public that disclosed information is not false or seriously misleading, or contains major omissions. They must also shoulder the responsibilities for their guarantee.

According to the demand of the "Detailed Rules," publicly disclosed documents that concern finance, accounting, laws, and asset valuation should be examined and verified by professional intermediary institutions such as accountant offices, attorneys offices, and asset evaluation organizations that are qualified to handle securities business. Professional intermediary organizations and their personnel must ensure that documents they examine and verify are not false and misleading, or contain major omissions. They should shoulder the corresponding legal responsibilities for their guarantee.

The "Detailed Rules" has also outlined detailed stipulations on times and methods for companies that issue shares to the public to disclose their information.

Weekly on Tertiary Industry Begins Publication 1 Jul

OW1907100593 Beijing XINHUA Domestic Service in Chinese 0708 GMT 30 Jun 93

[Text] Beijing, 30 Jun (XINHUA)—ZHONGHUA DISAN CHANYE BAO [CHINESE TERTIARY INDUSTRIAL NEWS 0022 5478 4574 0005 3934 2814 1032] will officially start publication on 1 July.

This newspaper, sponsored by the XINHUA NEWS AGENCY Liaoning branch, is currently the only comprehensive newspaper on the tertiary industry that will be distributed openly in China; it is full of information which is useful as guidance, news, general knowledge, and practical and interesting information. The XINHUA NEWS AGENCY's extensive reporting and modern communications networks covering the entire

country and the rest of the world will provide this newspaper with authoritative, updated, and extensive information, as well as an express means for transmitting information. This newspaper will be published weekly in eight folio pages beginning in the second half of this year.

Zou Jiahua Addresses Highway Construction Conference

OW1807030893 Beijing XINHUA Domestic Service in Chinese 0359 GMT 27 Jun 93

[By RENMIN RIBAO reporter Wang Renti (3769 0088 2032) and XINHUA reporters Zhou Zongmin (0719 1350 2404) and Xie Jing (6200 2417)]

[Text] Qingdao, 27 Jun (XINHUA)—Speaking at a recent national conference on highway construction, Zou Jiahua, vice premier of the State Council, said: We must first build transport facilities if we want to develop the national economy. To raise our country's highway transportation to a new high, leaders in all provinces, autonomous regions, municipalities, and counties should heighten their sense of importance and urgency about highway construction, earnestly provide strong leadership, make overall plans, and expedite the construction of transport infrastructure by relying on and rallying the public and by inspiring enthusiasm in all sectors for building such infrastructure.

During the six-day conference, Zou Jiahua inspected economic construction works and highway infrastructure projects in Shandong's Bohai rim areas. He also held informal discussions with delegates to the conference in which he listened attentively to their comments and suggestions. Speaking at the closing ceremony, Zou Jiahua said: We urgently need to speed up the construction of transport infrastructure if we want to develop a socialist market economy and quicken the pace of economic development and opening to the outside world. Currently, the communications and transportation sector is a "bottleneck" that impedes national economic development; we must gear up its development and expand it on a priority basis. All transportation modes—railways, highways, water transport, and air transport—have their own advantages. We should carefully plan and develop these transportation modes so as to form an extensive transportation network. Highway transport is the most common and convenient means of conveyance that provides access to many areas and transports people from door to door. In developing highway transportation, we must accelerate the construction of highway infrastructure. Our experience shows that construction of the Shenyang-Dalian Expressway, the Beijing-Tianjin-Tanggu Expressway, and other top-grade highways has given rise to economic belts comprising urban centers along these highways as well as areas on both sides of the highways. These economic belts have led to significant improvements in the investment environment and have spurred economic development in relevant areas.

Zou Jiahua said: We must devise sound development plans if we want to quicken highway construction. In addition to a national development plan, all provinces and municipalities—and even counties and townships—should develop their own highway construction plans. In devising plans, we should show foresight, consider the need to develop the economy and improve people's living standards, and properly handle the relations between top-grade and ordinary highways. We should take reality into account, consider current economic development needs from a long-term perspective, act according to our abilities, and exert our utmost.

Speaking on the policies for speeding up the construction of transport infrastructure, Zou Jiahua said: We should rely heavily on and rally the masses. Last year, people in all localities across the country showed keen enthusiasm for building and repairing highway infrastructure following Comrade Deng Xiaoping's talks during his southern tour and the 14th national party congress. In summarizing their practical experiences, people have come to recognize the necessity of "repairing roads before and after achieving prosperity." They deem this need an objective requirement for improving commodity exchanges and distribution and for developing a socialist market economy. Therefore, we should increase overall guidance over the construction of transport infrastructure, and follow the principles of "making overall plans, combining the efforts of different regions and departments, assuming responsibility at different levels, and jointly building transport infrastructure." We should also inspire enthusiasm at the central and local levels, as well as in all social sectors, so as to bring highway infrastructure construction to a new level.

Zou Jiahua stated: Funds are the most crucial element in speeding up highway construction. We must deepen reform, open wider to the outside world, renew our concepts, and collect funds from diverse sources. We should create new investment mechanisms for properly circulating funds. First of all, we should stress transport infrastructure when we invest in fixed assets. We should make communications and transportation one of the key sectors in national economic development. We should fully and thoroughly apply the policies already enacted by the state, provinces, and municipalities, and ensure that funds are used in highway construction. We should effectively utilize foreign capital after fully assessing its applications. In building transport infrastructure, we should apply socialist market economic mechanisms, such as granting loans for repairing highways, collecting tolls to repay loans, and pursuing continuous development. In developing highway transportation, we must follow the policy of stressing both construction and management. We must rely on scientific and technological progress and improve the training of qualified personnel. We should successfully carry out construction projects while improving management. We should closely supervise construction work to ensure its quality. Zou Jiahua fully affirmed the experience of relevant parties in exercising strict supervision and management

and in providing enthusiastic services to facilitate the construction of the Jinan-Qingdao Expressway. In building highways and carrying out reform, we should conduct studies and explorations aimed at reducing input, increasing output, and improving returns.

After analyzing the current stage of national economic development, Zou Jiahua stated: The expansion of communications and transportation facilities is complementary to and closely related to national economic development. We should give due priority to the construction of transport infrastructure and make a success of relevant projects to ensure continued development in the national economy.

Electronics Minister Hu Qili on Industry Development

HK1707074393 Hong Kong CHING CHI TAO PAO in Chinese No 26, 5 Jul 93 pp 22-24

[Article by special correspondent Wang Yulin (3769 3768 3781): "China's Electronics Industry Facing Serious Challenge—Interviewing Hu Qili, New Minister of Electronics Industry"]

[Text] After the inauguration meeting of the new Ministry of Electronics Industry on 8 June, Hu Qili, who had just assumed the post of minister, gave an interview to this reporter. Prior to this, Hu Qili was vice minister enjoying ministerial status of Machine-building and Electronics Industry. He has long been engaged in the electronics industry. During the present interview, this reporter asked him to talk particularly about the general policy on the development of electronics industry.

Shouldering an Arduous Historical Mission

[Wang Yulin] Why should a ministry of electronics industry be set up? Does this mean that the Chinese Government places the electronics industry in an important position?

[Hu Qili] Yes, it does. The Chinese Government has pointed out clearly: The electronics industry is a leading and pillar industry in promoting the modernization of the national economy. The government attaches great importance to the development of the industry. Since the beginning of the 1990's, the world electronic information technology has been bringing about changes day after day, with the upgrading period of its products getting shorter. Along with digitalization, miniaturization, the extensive use of artificial intelligence, the formation of networks, and the swift development of software technology, electronic information technology has entered a stage of large-scale "upgrading," thus further showing that it is the most active and penetrating productive force in the high-tech clusters of the contemporary era. As electronic information technology develops, the world electronics industry has many new characteristics: 1) The globalization of the industry's technology, production, formation of a system, and market has become more obvious; 2) a new situation has emerged in which

there are both competition and coalition in the world community, industrial production has become more concentrated, and the market share of big corporations has further expanded; and 3) the electronics industry has entered a new stage of readjustment and reorganization on a global scale in terms of structure and distribution, and the relatively labor-intensive and low added-value products are continuously moving to developing countries and regions. This tendency surely will have a profound impact on the development of China's electronics industry, and even its national economy.

Compared with world advanced levels, China's electronics industry is technologically backward and its gap is widening in many ways; its rate of return is limited; its economic efficiency is poor; and it cannot meet the needs of domestic and international markets in terms of variety, quality, price, and service. The 14th CPC National Congress and the First Session of the Eighth National People's Congress have decided to accelerate the construction of China's national economy, and to set more and higher demands on the electronics industry. In particular, as the date for "resuming GATT membership" nears and China's domestic market moves toward the convergence with the international market, this certainly will push China's electronics industry toward the large environment of international competition and division of labor. Our survival and development are facing a sterner challenge. Therefore, the newly established ministry is shouldering an important and arduous historical mission.

The Existing Scale and Strength

[Wang] How is the current electronics industrial situation?

[Hu] China's electronics industry already has a considerable scale and strength. Compared with 1980, the gross output value of the industry last year increased by 1,000 percent or more. According to the statistics provided by China's customs house, in 1992 the total amount of imports and exports by China's electronics industry was \$12.72 billion or 7.7 percent of the total amount of imports and exports by the country.

Second, reform and opening up to the outside have created an extremely favorable environment for the electronics industry. The swift development of the industry in coastal areas; the rise of the industry in the new high-tech development zones; the vigorous development of foreign-invested enterprises, town and township enterprises, and people-run enterprises; the change of the way state-owned enterprises operate; the formation of a batch of enterprise groups; and the development of an export-oriented economy have provided the reform and development of electronics industry with fresh experience and new vitality.

Third, since the publication of Comrade Xiaoping's talks during his southern tour, China's economic construction has entered a new stage of development. All sectors of the national economy have become more urgent for the

development and utilization of electronic technology and information resources. The modernization of such basic industries as communications, energy, telecommunications, and raw and semifinished materials; the technological transformation of machine building, and the light, textile, and other traditional industries; the extensive application of electronic technology in finance and commerce; and the office automation of all trades and professions, as well as government organs have provided the electronics industry with a vast market and have continued to place new demands on improving the people's standards of living and on consumer electronic products. The industry has a huge potential market. The readjustment and reorganization of the world electronics industrial structure has caused funds, technology, and the market to shift to the broad Pacific region. As the Western economy recovers slowly and the economies of developing countries grow, the trade in world electronic products will keep on expanding. This is a good opportunity for China's electronics industry to enter the international market on a larger scale.

Fourth, the party and the state place the development of the electronics industry in an important position. In the ongoing reform of government institutions, they decided to reestablish the Ministry of Electronics Industry so as to strengthen the macroeconomic management of the industry. A few days ago, various localities and departments showed extremely great enthusiasm to develop the industry. Many provinces and municipalities have listed the industry as one the development of which will be given top priority, and foreign businessmen have come to China one after another to discuss matters relating to investment and cooperation. During the Eighth Five-Year Plan, the state and local authorities considerably increased investment in the industry. The will of the state and the people, the support from all sides, and international cooperation are the most precious conditions for developing and invigorating the industry.

The 16-Character Development Strategy

[Wang] What is the new Ministry of Electronics Industry going to do in the near future?

[Hu] Our development strategy can be summarized in 16 characters meaning: Being market-oriented, integrating domestic and foreign factors, promoting domestic factors with foreign ones, and accelerating development.

The priority of the strategy of the electronics industry during the Eighth Five-Year Plan is—with the microelectronics industry as the base and the telecommunications and computer industries as the main body—to actively readjust the industrial structure, give priority to the development of integrated circuits and new-type parts and components, selectively develop such investment electronic products as telecommunications equipment and computers, vigorously enhance the state's ability to provide the national economy with complete sets of investment electronic equipment, and at the same time,

energetically develop consumer electronic products. The objectives in the near future are as follows:

1. The electronics industry must maintain a relatively high growth rate, its total output value must increase at a rate of 20 percent or more a year, its economic efficiency must improve remarkably, and there must be a marked enhancement in its ability to accumulate funds. In 1995, the total output value of the industry must top the 200 billion yuan mark, quadrupling its 1992 total output value, and the amount of its exports must reach \$10 billion or more.

2. It is necessary to enhance the electronic departments' ability to provide complete sets of equipment, form a new industrial layer [chan ye ceng ci 3934 2841 1461 2945], and increase the proportion of investment products in the industry's total output value. The industry must provide advanced electronic equipment and systems products for the development of such basic industries as energy, communications, telecommunications, and raw and semifinished materials; the technological progress and technological transformation of the various sectors of the national economy; the extensive use of information in financial and circulation industries, particularly the construction of exceptionally large cross-century projects, such as the Chang Jiang Three Gorges Key Water Conservancy Project, the diversion of waters from the south to the north, the new railway for shipping coal from the west to the east, and the iron and steel production base with a capacity of 10 million tonnes, and to the construction of a bank credit card payment system and a data telecommunications network for state use only. It must make contributions to the accelerated extensive use of information in the national economy and the modernization of national defense. At the same time, it must strive to enter the international market with more investment products.

3. It is necessary to increase consumer electronic products' variety and improve their grade and quality, to increase their price:performance ratio, and meet the needs of every stratum of society for consumer electronic products. It also is necessary to continuously put new "hotly pursued" consumer electronic products on the market so that they will play a greater supporting role in prospering the market, ensuring the needs of people's material and cultural life, accumulating development funds, and earning foreign exchange by exporting more such goods.

4. With whole sets of equipment and systems products as the dragon's head, we should accelerate the development of new-generation electronic parts and components, and products with which to equip the electronics industry itself, initially establish the China-based microelectronics industry, and considerably enhance our ability to develop independently and to form whole sets of equipment into a system.

5. It is necessary to set up large enterprise groups. As the first step, in 1995 the sales amount of large enterprises

should reach 5 billion yuan or more. They should strive for a greater share in the domestic market and become more competitive internationally.

The Specific Measures With Which To Achieve the Objectives

[Wang] To achieve the objectives, what specific measures will the Ministry of Electronics Industry adopt?

[Hu] With the development of new and high technologies, the demarcation line between specialized trades has become increasingly blurred. In the days to come, we must place great stress in our work on major projects and systems equipment. Considering this, the new Ministry of Electronics Industry has discarded the existing pattern in terms of management function and institutional setup, and has set up a Computer and Informationization [xin xi hua 0207 1873 0553] Promotion Department, a Department for Basic and Major Projects, and a Telecommunications and Systems Equipment Department. In its future development, the ministry will exercise mainly macroeconomic regulation and control over the whole industry, rationally distribute resources in line with the interests of the state, and rationally arrange and organize the construction of major projects crucial to the national economy and the people's livelihood. Only in this way can we possibly make a great structural change in the development of electronics industry in the days to come.

During the Eighth and Ninth Five-Year Plans, the electronics industry must effectively carry out a batch of key projects. In telecommunications, in coordination with relevant ministries and commissions, it must pay close attention to the digitally controlled exchange project, the state special-purpose data information telecommunications network project, and the project of using facsimile machines in a coordinated sequence, and the digital-shifting [yi dong 4448 0520] telecommunications project. In the field of computers, it must pay close attention to serving the transformation of traditional industries, forming major state projects and their supporting equipment into a system, and carrying out the 12 key computer popularization and application projects, including the establishment—in coordination with the financial and commercial departments—of a bank credit card payment system. In the field of consumer electronic products, it must pay close attention to the second-phase project of using video recorders in a coordinated sequence and the camera-recorder, high-resolution television screen, and digital sound-image equipment projects. In basic products, it must pay close attention to the large-scale integrated circuit construction project.

The Functions and Institutions of the new Ministry of Electronics Industry

[Wang] Will you please brief us on the functions and institutional setup of the newly established Ministry of Electronics Industry?

[Hu] The new ministry is a functional department of the State Council in charge of the national electronics industry. It manages the manufacturing of electronic products, the development of electronic technology software, and the popularization and application of information technology and systems. Its main function and task is study development strategy, formulate policies and regulations, work out overall planning for the industry, strengthen the management of military industry, foster and set up markets, exercise macroeconomic regulation and control, accelerate scientific and technological progress, popularize information services, and support enterprise groups. Its specific functions are as follows:

1. The ministry studies and works out the principle and policy for invigorating the electronics industry, development strategies, and the general distribution of the industry, and formulates laws and regulations on the management of the industry. It organizes and draws out the medium- and long-term development plans and annual plans for the industry and supervises their implementation. It organizes and coordinates the industry's capital construction, its technological transformation, and the construction of major industrial projects. It directs the readjustment of the industrial structure, enterprise structure, and product mix of the industry.

2. It organizes and coordinates the study, problem solving, and development of the new and high technologies, basic technologies, and large-scale production technology of the electronics industry and the commercialization of scientific and technological research achievements. It organizes and formulates the technological standards, quality standards, and metrological appraisal procedures of the industry. It directs the quality management and supervision of the industry and the management work of protecting intellectual property rights of the industry.

3. It takes charge of the management of military industry-related electronics undertakings, organizes and works out mandatory planning for the military industry-related electronics undertakings, assigns it to lower levels, and supervises its implementation.

4. It supervises, checks, and assesses the state-owned assets of the enterprises and institutions under its jurisdiction and of the large key electronics enterprises it manages under authorization by the state. It participates in formulating the national economic policies and various economic regulation and control measures relating to the electronics industry, and organizes the implementation of the state's policies on the industry.

5. It organizes and fosters a single and open national market for electronic products and technology in cooperation with relevant departments, takes charge of the management of economic information concerning the electronics industry, and directs and supervises the economic operation of the industry.

6. It guides the electronics industry in conducting economic and technological cooperation and exchange with other countries, and in absorbing foreign capital. It organizes and coordinates the import and export of electronic products in cooperation with relevant departments.

7. It puts the popularization and application throughout the nation of electronic technology and systems under centralized management by specialized departments, jointly studies and formulates the policy on the extensive use of information in the national economy, works out the plan for the popularization and application of information technology, and organizes their implementation in cooperation with relevant state departments. It organizes and coordinates the construction of a state information system in cooperation with relevant departments.

8. It organizes the forecasting, education, training, and exchange of qualified personnel in the electronics industry and the import of talents, and directs the work of labor and wages in the industry.

9. It directs the structural reform and enterprise management in the electronics industry, manages the enterprises and institutions under its direct jurisdiction of the ministry, and directs the organizational work of industry-related societies and associations.

10. It fulfills the other tasks authorized or assigned by the State Council.

At present, under the Ministry of Electronics Industry there are one general office, 10 departments or bureaus, and party committees of the organizations directly under the ministry. The ministry has an administrative staff of 300 people, which is much leaner than the previous one. The State Council has appointed Li Jianfeng, Lu Xinkui, Zhang Jinqiang, and Qu Weizhi as vice ministers.

In accordance with the State Council's plan for institutional reform, the China Electronics Industry Cooperation has been dissolved, and some specific industry-managing tasks authorized by the former Ministry of Machine-building and Electronics Industry and the units it entrusted the cooperation to manage have been turned over to the Ministry of Electronics Industry. The China Electronics Information Industry Group Corporation (called CEC for short), which formerly was merged into the China Electronics Industry Cooperation, has resumed operation. To maintain economic activities and the continuity of major businesses and international cooperation, the CEC will undertake all the sorted-out appropriate creditors' rights and liabilities, and will develop itself into a comprehensive large electronics group corporation.

Journal on Monetization, Property Rights

HK1607002093 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 93 pp 6-11

[Article by Xu Baoqing (1776 1405 1987) of the Shanghai Municipal Economic Structural Reform Office, written in March 1993; edited by Song Mingzi (1345 2494 1311): "On an Operational Model for State Assets Property Rights Under a Monetized Economy"]

[Text] 1. The Characteristics of Property Rights In a Monetized Economy

If we are to raise the degree of socialization and clarity of our country's state-owned assets property rights, we need to examine property rights theory from the angle of economic monetization and move from a unitary material form to a form which draws in creditor rights (money credit). To this end, we must deeply examine the process by which the property rights forms which manifest the abstract innate relationships of the ownership systems are continually reproduced in the actual operation of the commodity economy.

In the actual operation of the commodity economy, property rights includes two levels of meaning. The first is ownership rights, which includes ownership rights, appropriation rights, control and use rights and benefit and use enjoyment rights. The second is creditor rights. Considered from the angle of market relationships, property rights are creditor rights. This refers to the control rights over property in market exchange which reflects dynamic property relationships. It is an extension and realization of ownership rights in the market and its essence is the property control rights and the corresponding responsibilities related to property rights. Generally speaking, property rights can be understood as the operational mode adopted by the owner in market exchange, or as a type of dynamic manifestation of ownership rights in market movement. This dynamic manifestation essentially stresses the control rights which market traders have over property, and the risks and responsibilities which are directly linked with this control. It fixes the limits of the given rights represented by property in market transactions, and reflects the magnitude of value of the profits or losses which can be borne by the ownership rights principal or operating rights principal.

In a monetized economy, the creditor rights form of property rights has three characteristics:

First, property rights, as particular limits on control and deployment of production factors as manifested in market relationships, must have the existence of a commodity economy as a precondition, and must be able to draw support from the clear magnitudes of value manifested in market relationships. Property rights in this sense do not exist in a product economy system and neither do they exist in a natural economy. Under the conditions of a semi-commodity economy, the relations are reflected in a distorted way and, in general, are

manifested as the development of capital and money markets lagging behind material commodity markets. As property rights can be manifested in market exchange, property rights stipulate that the rules for the transfer of property in the market must be in accord with the innate law of the commodity economy which requires exchange at equal value, and the market transfer price condition is the market price. Thus, the market price movements reflected by the financial money market and the material commodities market are often manifested as the formation and movement of property rights market prices.

Second, in market relationships, property rights reflect the property transfer rules and have a natural characteristic of exclusivity. This characteristic, through the freedom to contract and the principle of self-responsibility, ensures that the rules of market trade are clear and standardized. The limits of this exclusivity are defined within the scope of the magnitude of value of the assets owned by the property rights principals in market exchange. This eliminates the possibility that a mistake by a single property rights principal will lead to social risk. Of course, because of the existence of credit expansion and the possibility that the volume of fictitious capital will be alienated as a volume of actual capital, there also exists the possibility that this will eventually lead to the entire society sustaining risk. However, this is a social process different from an individual property rights principal operating independently, and it can be generally resolved through macroeconomic regulation and control in society.

Third, property rights can only be defined and realized through market exchange. Market exchange is a mutual process and the magnitude of the assets value of property rights principals is ultimately guaranteed or increased through the production operations of enterprises. Thus, the marketization of creditor rights is guaranteed by contracts between the property rights principals and the enterprises, and such contracts are based on law. This shows that the basic carriers of property rights are the enterprises and the ownership rights principals can be other forms or can be the state. However, property rights as a quantified form of creditor rights are, given the conditions of a relative balance between the financial money markets and the material commodity markets, firmly defined and realized through market exchange.

Seen from the history of the development of commodity production and commodity exchange, the changes in the form of the commodity economy have not only led to continual changes in the forms of ownership system but have continually expanded the internal relations within the ownership systems. The process of separation between ownership rights and operating rights manifested by the internal relationships of the ownership systems has involved two basic forms:

1. The form of separation of the two rights under real rights. In social forms where the commodity economy is not developed, property ownership rights are directly manifested as the right of control by the owner over

material property. Thus the various functions of property ownership rights are melded into one. The owner directly, and in a material form, controls and possesses his own property, and possesses the entire results of the process of material production. During this stage, material leasing first begins to negate this concept of absolutely unified ownership rights. At such a time, the actual mode of ownership rights, through the form of contract, transfers the material property to the possession of another property rights principal for a set period, in return for which is received rent or other interest-bearing income. In this way, there is a clear division between the income created through possession of the property and the earnings through ownership rights. Property thus begins to become a basis for obtaining ownership rights income or property earnings. The separation of the two rights under real rights is an inevitable stage in the evolution of the property rights system, and it plays a major role in promoting socioeconomic development. The contract system now being implemented by our country also includes these elements to some degree. However, the mode of physical leasing cannot essentially achieve the unity of the socialization and clarification of capital. Thus, it cannot solve the problem of state assets property rights restrictions being too soft, operational rights being unclear, and there existing departmental and regional divisions.

2. The form of the separation of the two rights under creditor rights. Following the development of the commodity economy, socioeconomic relations are manifested through the monetization of commodities, and the movement and transfer of money represents the movement and transfer of property. As market relations increasingly develop, the original rights of the owners in respect of control and possession of material property changes into rights of control and possession over forms of value. Thus, although separation of the two rights in the material form still exists, there has already been a switch to where the main mode of transfer of property control rights and possession rights is the money capital loan form. At such a time, owners transfer possession and control rights over value-form property for a certain period and, through corresponding financial money markets, realize the transfer of the creditor rights. Under this form of separation of the two rights, enterprise groups centered on an intermediary financial organ are formed and enterprises can, through incurring liabilities, obtain production and operation rights. Then, on the basis of changes in market signals, they will readjust the scale of production and the production structure and also readjust the assets inventory and flow in accordance with the principles of maximization of profit. The main source of the funds which the financial intermediary organs provide to enterprises is borrowing from the owners of social funds. This achieves the socialization of funds supply and the dividing line between the ownership rights and operating rights is clarified. The intermediary financial organs mainly concern themselves with the operational situations of the enterprises and their corresponding debt repayment capacity, and these creditor

rights are only extended under the proviso that the enterprises have legally stipulated financial repayment capacity, which strengthens the restraints of funds ownership rights. However, as social funds have the characteristics of high efficiency, sensitivity and ease of division, this provides the conditions for the timely transfer of enterprise assets and the optimized deployment of resources. The enterprises which obtain assets operation rights through the taking on of liabilities can themselves decide on the investment orientation and use volume of funds, and thus clearly they have operational rights. Subsequently, following the development of the commodity economy and the expansion of the scale of the market, the socialization and commoditization of capital is realized and the shareholding system economic form is produced. The shareholding system economy is the perfect form of separation of the two rights under the creditor rights form. The ownership rights principal appears not as the lender or borrower of money, but as an investor, and the ownership rights principal obtains dividends through investing in shares, and transfers control rights and use rights over the property in both its material form and value form. Because of the existence of an extensive financial money market, this type of creditor rights transfer has shifted from a single financial organ or enterprise to the society. That is to say, the share rights and interests obtained by investing in shares have, as a precondition, demand by a socialized securities market for the capital commodity constituted by shares. At the same time, the enterprise obtains complete operational autonomy rights, operational functions become specialized, and operational rights are made clear. This thereby realizes quite well the unity of the socialization and clarifying of property rights. Also, in terms of the restraints on ownership rights and operating rights, socialized non-personal restraints and individual personal restraints are combined and, at the same time, they are subject to the restraints of law, the restraints of credit and the restraints of the market.

The above analysis shows that the movement from the form of separation of the two rights under creditor rights has the expansion of the market and the improvement of the market system as conditions. This process is, at the same time, coordinated with the process of commodity monetization. Seen from the property rights relationship angle, under the creditor rights form, the property ownership principals can become owners of capital who obtain earnings only from assets and who are divorced from the production process. Such owners need no longer engage in actual assets operation or production operations. In another respect, the assets operators, under the condition of guaranteeing the liabilities taken on and increasing the value of assets, obtain the right to actually appropriate and control the assets. This operational principal who actually operates the assets has, for a certain period, completely independent asset appropriation and control rights which do not rely on the owner, and on this basis can partake of the right to profit.

In this way, through the basic expression in economic structural reform of the property rights questions manifested in the innate relationships of the ownership system, as well as the characteristics shown by the property rights relationships themselves in the process of change constituted by monetization of the economy, we can come to the following basic conclusions:

First, the crux of the readjustment of the innate relationships of the ownership system during China's economic structural reform lies in the choice of the new state-owned assets operation mechanism. The basic framework of what is chosen should be the commodity economy form and there should be a transition from a separation of the two rights under unitary real rights to separation of the two rights under creditor rights conditions. That is, this framework should be constructed through commoditization and monetization of socioeconomic relationships. It might be said that the focus in expanding the degree of reform lies in changing the operational mechanism of enterprises. However, this not only involves the superficial issues such as clarifying and implementing the operational rights of enterprises, but also requires an essential change in overall government functions. If we are to complete the historical mission of separating government and enterprise functions, then through the concept of separating the two rights under the creditor rights form, we need to set down strict divisions between ultimate property rights and operational rights for state-owned assets.

Second, considering the issue from the innate demands of an operational mechanism which is in accord with the socialist market economy system, the basic changes in the state-owned assets operational system and the delineating of the operational rights of enterprises must escape the narrow sphere of the microeconomy. Rather, in the general framework of the overall national economy it is necessary to sort out among the various state-owned assets property rights principals the relationships of mutual definition, mutual links and mutual conditioning. That is to say, there is a need to engage in organizational renewal, and through the perfection of financial money markets, gradually put in order the relationships between the property rights and operating rights of state-owned assets and the substantive assets operational rights.

Third, if we are to truly separate the ownership rights and operating rights of state-owned assets, and are to foster enterprises into becoming commodity producers and operators who are market operational entities, then it is necessary to deepen reform of the financial system. This will promote a change in government functions and an improvement in the use efficiency of social funds, and will form a mechanism for compensated transfer of state-owned assets. This will ensure that the internal magnitude of volume of state-owned assets is clear, that the property rights principals are clear, that finally the market relations will reflect the relationship between ownership rights and operating rights, that the function of the assets principals in maintaining and increasing the

value of assets will be improved and that, through funds flow, strict budgetary restrictions on enterprises will be formed. This requires that we essentially change the situation whereby government administrative ownership rights functions restrict enterprise operational rights, and eliminate the situations where government and enterprise functions are not separate, where operational rights are not clear and where the government financial departments continually provide "blood transfusions" through "umbilical cords" to loss-making enterprises.

2. A Theoretical Model for the Operation of State-Owned Property Rights

State-owned asset property rights are generally obtained by the state, in accordance with the law, through assets investment, assets earnings or directly through gifts. The selection of a model for the operation of state-owned property rights must be in accord with the basic functions of the state-owned assets ownership rights principal (Footnote 1) (Including ensuring that state-owned property is not subject to harm, effectively managing and deploying assets, achieving assets accumulation and ensuring that the value of the assets is maintained and increased). Also, in accordance with the requirements of the target model of a commodity economy operational mechanism, and through using economic monetization to reflect the socialization of production, the socialization of capital and the socialization of property rights under commodity economy conditions, it must be able to resolve the acute actual problems reflected in property rights operations. The selection of an appropriate property rights operational model essentially requires that it improves the efficiency of asset operations. In the end, this is a question of the optimal deployment of state-owned assets. That is to say, we have to determine how, through the transfer of assets, we are to realize the Pareto optimization in assets deployment.

Theoretical Model 1 for the operation of state-owned enterprise property rights.

Under this model, the socioeconomic form is a product economy, the degree of socioeconomic commoditization and monetization is very low, the market is not complete and only consumer products are commodities. At such a time, the economic operational mechanism is one where "the planned economy is the main part and regulation through the market is a supplement," and the deployment of production factors mainly relies on mandatory planning. The structure of state-owned enterprise property rights operation is such that the state is basically the sole owner and state assets ownership rights, including rights of possession, control and use, and the rights to benefits and rights to enjoyment are all in the hands of the state. The production and operational activities of large and medium-sized enterprises are controlled by the state and, through requiring enterprises to hand up profits or providing them with subsidies, the state exercises "unified receipts and expenditure." The efficiency

of assets operation and the efficiency of resource deployment is determined by state decisionmaking. The enterprises' production operation funds (circulating funds and fixed funds) are provided by the financial administration and as credit in amounts determined by administrative plans. The direct operation of enterprises by the state (government + planners) manifests the basic functions of the state assets ownership rights principals.

It is not difficult to see that the basic characteristics of the state-owned enterprise property rights operations reflected in this model are: 1) The economic activities of enterprises are restricted by the economic interests of the unified ownership rights principal, and the balancing mechanism for the plural interest principals within the enterprises (owner, operator and producer) is maintained through administrative relationships. The independent interests of operators and producers and self-decided economic activities are excluded. 2) The property rights operation mode involves decisionmaking centered on material quota targets, information transfer mainly relies on vertical administrative systems, and there is basically no direct reflection of market demand. 3) The internal mechanism in economic organizations has, as its base, administrative and authoritarian management and conscious planned regulation, and the regulatory mechanism has ossified and become bureaucratized through inertia, which produces formalism. With a low level of economic efficiency, the costs of planned regulation are very high and the earnings of organizational management can easily be eaten up by the costs of the organizational system itself. 4) The seeking of maximization of output volume and maximization of gross output value leads to a decline in operational efficiency, and this can easily lead to all sorts of short-term economic activities.

Theoretical Model 2 for the operation of state-owned enterprise property rights.

Under this model, the socioeconomic form is making a transition from the product economy to the commodity economy and the degree of commoditization and monetization of socioeconomic relationships has already been increased. In the market structure system, the consumer product market is basically complete and other production factor markets have begun to develop, while financial money markets in the strict sense are not complete. At this time, the economic operation mechanism is one where "the planned economy and regulation through market mechanism are combined," and in socioeconomic operations there exists a dual economic operational mechanism. The structure of the operation of state-owned enterprise property rights is one where there is a separation between ownership rights and operating rights under mainly real rights. The various powers and functions of state-owned assets ownership rights are distributed between the state and the enterprises, and enterprises have a certain amount of power to control assets. However, investment decisionmaking and funds sources are still controlled by the state. In the

distribution of production factors, a mode which combines planning and the market is adopted. Operational control rights which have the market (mainly the consumer product market) as the object of control are included in enterprises' powers and functions, but the state through planned distribution and financial and credit measures actually exercises control over the flow of production factors and money, while vertical administrative mandatory planning and horizontal coordination relationships also play a restraining role on enterprises. The system whereby enterprises can retain profits has resulted in a definite improvement in assets use efficiency, but it is still not clear who is the property rights principal of the assets stock which results from expansion funded through enterprises retained profits. Also, investment decisionmaking powers are limited. This objectively restricts the function of assets growth of overall assets. Thus, assets value growth generally results from fund-raising and investment by the ownership rights principals. The general situation of the assets operational mechanism of state-owned enterprise assets will inevitably be one where on the one hand it will be difficult to readjust the product mix of a large number of enterprises due to outdated equipment, and on the other hand there will be a large volume of investment in the same or similar industrial sectors, which will expand the gross value of their assets and thus the overall deployment situation of social resources will not be good.

The basic characteristics of state-owned enterprise property rights operation as reflected in Model 2 are:

First, the economic activities of enterprises are no longer restricted only by the economic interests of the ownership rights principal, but instead are constrained by the plural interest entities of enterprise owner, enterprise operator and enterprise producers. However, as the capital goods market is not complete, regardless of what trust operation forms are adopted, none will be able to clarify the boundaries of ownership rights or the boundaries of enterprise operational rights. Enterprises do not have corporate status and the operational risks of the contractors are the operational risks of the state. Creditor rights relationships remain at the formal level. The independent economic interests and economic activities of the operators and producers do exist to a certain degree, but they are conditioned by the maximization of their own interests.

Second, the property rights operation mode basically has dual-directional decisionmaking involving both material forms and creditor rights forms. That is to say, the administrative entities, through financial and credit relationships, control the flow of enterprise funds and enterprises use concrete material production factors to produce commodities. The enterprises are themselves basically unable to engage in readjustment of assets inventory and assets increments, and do not have the capacity to provide assets guarantees or obtain risk credit. The modes of information transfer are both through the departmental and regional administrative

entities as well as through market channels, and the enterprises thus have dual dependence channels.

Third, the separation of ownership rights and operating rights, as a form of organizational renewal, provides, relative to Model 1, an economic system and property rights model which can manifest to some degree the interests of the operators and the producers. When it is first implemented, it can raise efficiency through a reorganization of assets use and resource deployment. However, this is a form of separation of rights which does not have the characteristics of the creditor rights form. In this way, the costs of the organizational renewal produced by changes in the property rights system will, due to the development of market relationships and the raising of the degree of monetization of the market, see a continual increase. After a certain period of time, the financial subsidies used by enterprises and credit defaults of the enterprises which operate at a loss will increase greatly.

Fourth, there is a change from Model 1 which seeks the maximization of production volume and maximization of gross output to where Model 2 seeks the maximization of per-capita income. Also, as retained profits are often lost as consumption funds, the demand for planned credit is quite high. In another respect, banks also lack elasticity in respect of planned investment, which means that enterprises fall into the vicious cycle of seeking credit—increased investment—increased profits—increased consumption funds—sluggish product sales—increased credit, and so on.

Theoretical Model 3 for the operation of state-owned enterprise property rights.

Under this model, the socioeconomic form has already been basically commoditized and monetized and the market system is quite complete. The financial money markets and material commodity markets are basically able to reflect various economic parameters, such as interest rates, money supply volume, anticipated profit rates, commodity prices and savings-investment ratios, in the regulatory function of the market mechanism. The economic operational mechanism has "the market as its base" and the economic model is the market economy, while planning regulation is mainly carried out by indirect, macroeconomic regulation of the economic parameters in the market mechanism, so as to influence the deployment of social resources. The state-owned enterprise property rights operation structure is one where creditor rights is the main form for realizing the separation of ownership rights and operational rights. The various powers and functions of state-owned assets ownership rights are divided into many levels, and they are divided and realized through the creditor rights form. Basically, the ultimate property rights for state-owned property are in the hands of the state, and generally the concrete implementation of the function of maintaining and increasing the value of state-owned assets is entrusted to the financial organs, so as to achieve the socialization of state asset ownership rights. The right to

operate property rights has been taken from the departments and regions and then merged to form state assets operational management bureaus and investment companies which entrust the various local banks, joint-fund banks and specialized banks to concretely implement these rights. At the same time, under the creditor rights forms, there is realized a separation of the right to operate property rights and the actual operating rights for assets. Enterprises have the various powers and functions of possession, control, use and enjoyment of benefits which are included in the operational rights with which they have been entrusted, and in the process of operation, the funds, creditor rights and amount of liabilities are decided by the operator in the light of the markets (financial money markets and material commodity markets). It can readjust the orientation and amount of investment in asset inventories and in the circulation sphere, and can concretely realize the basic functions of the state-owned assets property rights principal. However, its production operation process is no longer subject to the restraints of the administrative entities, but rather is regulated through the market mechanism. As operational rights in enterprise assets operations are clear, the operations can manifest the will of the owners, the operators and the producers, and in market competition, can continually realize self-restraint, self-accumulation, engage in organizational renewal, readjust the product mix, take on investment risk and enjoy the profits from investment. The law of increase in value forcibly opens up avenues for the operators through the law of value, finally achieving the maintenance of and increase in the value of state-owned assets.

Model 3 essentially reflects some basic characteristics of enterprise property rights operation which have the market mechanism as the basic condition: First, the plural interests relationship among the owners, operators and producers within enterprises are maintained through the monetization of the economy. Among the enterprise property rights principals, there are formed ownership rights interests and relatively independent interests of the operators and producers which represent the development orientation of the enterprise and which are maintained by the creditors rights form. However, the realization of these is also balanced and conditioned by the law of value and the law of value increase under the market mechanism. This is able to prominently represent the economic interests of the assets operation principal and thereby the operators become a decision-making force. Thereby, the basic functions of state-owned assets ownership rights are realized and the initiative, enthusiasm and creativity of producers are raised.

Second, the mode of property rights operation has basically made the transition from decisionmaking based on the material form to decisionmaking based on the creditor rights mode. The basic separation of the financial administration and bank and the enterprise-type operations in the banking industry provide conditions

for the building up of a financial market and, at the same time, provide possibilities for the use of the creditor rights mode to manage the stock and flow of state-owned assets and to institute compensated transfer of assets. In particular, the basic function of the financial administration is to give expression to the state's distribution function. That is to say, it will "raise, supply, supervise and coordinate" total social funds and will readjust national macroeconomic variables. It will not directly intervene in enterprises' financial funds flow and will not directly participate in the production or operational activities of enterprises. There will be a separation of government and enterprise functions in the various departmental and regional entities, whereby will be formed mainly intermediate-level investment companies, assets management bureaus and enterprise-type banking operations. This will create a strong force for guiding the readjustment of China's industrial structure and the development of basic industries, and for raising the international competitiveness of China's newly emerging industrial sectors. This will provide an exemplary model for domestic economic development. It will also produce a rational structure involving economies of scale, and will allow the Chinese economy to shift from an "import replacement" form to an "export-oriented" form.

Third, the separation of ownership rights and operating rights does not adopt the simple mode of separation of real rights and the division of power, while allowing the retention of profits. Rather, it takes into consideration the basic framework of the socialization of capital ownership rights and the corporatization of enterprise operational rights. At such a time, enterprises have corporate status and take on rights and responsibilities in terms of property relationships. They have the powers and responsibilities given rise to by real rights, creditor rights and contracts. Operating rights are not only subject to restraints of ownership rights, but also subject to credit restraints and legal restraints. Under the condition whereby the creditor rights relationship between the enterprise operating rights principals and the state-owned asset property rights and ownership rights principals is fixed, enterprises have independent property which they can control. They have possession and use rights in respect of the property they operate and manage as well as the right to dispose of such property in accordance with the law, regardless of the original source of the property (that is, regardless of whether the property resulted from state investment or investment by joint investors or shareholders, and whether it was funded by enterprise borrowing or from the enterprise's own funds). At such a time, the property relationships of enterprises are subject to the law, involve the use of credit and have been made clear. Enterprises, as entities which decide on their own operations, have independent operational autonomy. The state's (government and planners) management of the operational activities of enterprises is built on the basis of legislation, while this indirect management is realized through the medium of the market. This cuts the administrative links between

the government and the enterprises. Enterprises, as independent operational entities, must take on investment risks and shoulder operational responsibilities (contract responsibilities, liability responsibilities and property responsibilities). The relationship between intermediary financial organs and enterprises is purely a relationship between creditor rights and liabilities, and the assets volume budgetary restraints in enterprise operational rights is firm.

Fourth, there is a switch from the maximization of per-capita income which was sought under Model 2, to the maximization of operational profits. This basically overcomes the malignant cycle in social funds circulation whereby enterprise credit increases and there is a false expansion in credit money. When enterprise operations are not good and a situation arises where funds do not cover liabilities and enterprises do not have the capacity to repay debts, the enterprises declare bankruptcy in accordance with the law, and, in settling with the owners and the creditors and paying off operational debts, implement the enterprise bankruptcy system. This reduction in the pursuit of financial income is beneficial to the horizontal flow of production factors and the readjustment of the industrial structure.

The above-noted theoretical models for the operation of state-owned property rights provide some analysis of the process of change in socioeconomic forms. The reason the theoretical nature of these models is stressed is that in actual economic operations, the modes of operation of state-owned assets property rights are diverse, complex and transitional. Theoretical summary, however, can only describe the most characteristic assets property rights operational modes and cannot replace the actuality of real economic operation.

Seen from the target models of economic, operational mechanisms, it would appear that a theoretical model of state-owned asset property rights under creditor rights operational conditions is quite suitable for constructing socialist market economy operational entities with Chinese characteristics. So-called creditor rights are in fact credit relationships and there exists a tight relationship between the operation of creditor rights relationships and the operation and development of material commodity markets and financial money markets. In this way, the state thoroughly separates asset ownership rights and operational rights and this is actually an innate inevitability in the commodity economy operational mechanism. The separation of the ownership rights and operational rights under the state-owned assets creditor rights management mode will also affect the transformational measures at both the macroeconomic level and the microeconomic level. Its implementation may push our country's process of economic monetization to a reasonable stage and will finally result in our completing the re-creation of the enterprise operational mechanism and achieving the basic functions of state-owned assets ownership rights entities.

Greater Flood Control, Relief Efforts Urged

OW2007130593 Beijing XINHUA Domestic Service in Chinese 0724 GMT 20 Jul 93

[By reporter Lu Yongjian (7773 3057 1696) and trainee reporter Qian Feiming (6929 7378 7686)]

[Text] Beijing, 20 Jul (XINHUA)—Since the beginning of the flood season, heavier-than-normal floods have hit Jiangxi, Zhejiang, Fujian, and a few other counties and cities, as normal flooding has struck most of the areas in the rain belt south of the lower reaches of the Chang Jiang and in southern China. As the country's major rivers enter the peak flood season, experts from the State Flood Control and Drought Relief Headquarters have reminded all localities of the need to redouble their flood control and relief efforts and to strive for safety in weathering this year's flood season.

Huang Wenxian, press spokesman for the State Flood Control and Drought Relief Headquarters, has analyzed the country's current flood control situation. He said: Since the advent of the peak flood season, areas south of the lower reaches of the Chang Jiang have encountered normal flooding, with heavier-than-normal floods confined to a scattering of counties and districts. For instance, the Jin Jiang, the Lean He, the Xiu Shui, the Zhelin Reservoir, and the valleys in the upper reaches of the Jian Xi and Bei Jiang have experienced floods the likes of which have never occurred in the past decade. Waterlogging in western and southern Shandong is more serious than any in the past six years. He cautioned all localities: Historically, flooding has surged in "late July and early August." Faced with heavy flood control tasks next month, all localities should redouble their efforts and fully prepare themselves.

After reviewing the current situation in light of experiences in past years, Li Daixin, deputy director of the State Flood Control and Drought Relief Headquarters office, urged people in the Chang Jiang Valley to conduct flood control and drought relief operations simultaneously by carrying out flood control efforts and storing water to prepare for drought normally encountered during the dog days following the plum-ripening rainy season. He said: Thanks to the proper arrangements made by the provincial party committees, the provincial governments, and relevant departments, water control facilities in Jiangxi—where approximately one-sixth of the areas are flooded—and in Zhejiang—where heavier-than-normal floods have occurred—have been highly instrumental in mitigating the disaster and in ensuring construction work on the Beijing-Kowloon Railway, thus scoring the first several victories in this year's flood control and relief operations.

With the advent of "late July and early August," the entire country is undergoing the peak flood season. Li Daixin said: All localities should intensify their efforts to dredge waterways, improve waterways' capacity to discharge water, and constantly make all kinds of preparations to prevent major floods.

State Council Issues Circular on Grain Management

OW1807092293 Beijing XINHUA Domestic Service in Chinese 0640 GMT 28 Jun 93

[Text] Beijing, 28 Jun (XINHUA)—The State Council recently issued a circular on effective management of grain work and on maintaining the stability of grain workers. The circular says "in organizational reform, although local governments will make their own decisions on ways to establish local grain administrative organizations, there must be organizations responsible for handling grain work."

The State Council's circular points out: Grain is a special commodity, essential to the national economy and the people's livelihood. Following the liberalization of grain prices and grain dealings, grain administrative organizations and state-owned grain enterprises still shoulder vital functions in marketing, grain purchases, providing emergency disaster relief, handling Army provisions, overseeing grain reserves, and implementing macroeconomic regulation and control.

To maintain the stability of grain workers and ensure effective grain management, the State Council has put forward the following demands:

1. We must possess a very sober understanding of our country's grain situation. Our country cannot be deemed to have achieved its goals in grain production for a fairly long period, and is yet to be tested in difficulties in grain production and market fluctuations following the liberalization of grain prices and grain dealings. We must not weaken our efforts in grain work, and state-owned grain enterprises must continue their role as the main channels for grain distribution. Therefore, localities must adopt a definite and resolute policy in restructuring grain administrative organizations.
2. In organizational reform, although local governments will make their own decisions on ways to establish local grain administrative organizations, there must be organizations responsible for handling grain work. Grain administrative organizations must streamline their operations, raise their efficiency, modify their functions, and invigorate their enterprise management. Grain departments may streamline their existing personnel according to the actual situation, but they must retain essential backbone personnel. They must not shift all personnel to enterprise operations to not affect the normal operation of grain work. They must actively develop socialized services, strengthen information networks, and improve macroeconomic guidance.
3. The assets of grass-roots grain enterprises are state-owned and must not be indiscriminately transferred and diverted. A stable relationship between grain management centers (stations, shops) and their overseeing departments must be maintained to prevent the loss of state assets.

The State Council stresses: Now is the peak period for summer grain purchases. Governments at all levels must lead grain and other relevant departments to raise funds in every possible way as well as do a good job in purchasing summer grain and oil-bearing crops in accordance with the State Council's relevant stipulations and arrangements on grain work. They must resolutely not issue "IOU's." Grain departments must strictly enforce state policies on the purchases of grain and oil-bearing crops, strive to offer excellent services, and, as far as possible, satisfy the demands of the vast number of peasants in selling their grains. It is necessary to do a good job in grain distribution. They must persist in honoring on time interprovincial contracts on grain production and sales. Communications and transportation departments should give priority to and actively support grain transportation. They should take practical measures to ensure safe storage of grains and oil-bearing crops over summer and prevent these commodities from turning bad. They should ensure grain rations for the masses in disaster-hit and poor areas which experience summer crop failures. People's governments at all levels must strengthen their leadership and send personnel to guide and assist grass-roots cadres and peasants in rural areas for a good job in summer harvest, summer planting, and summer grain management, as well as strive for a bumper harvest for the whole year.

State Expects 'Massive' Outbreak of Bollworms

OW2007101993 Beijing XINHUA Domestic Service in Chinese 0716 GMT 19 Jul 93

[By XINHUA reporter Ding Xiguo (0002 6932 0948); Beijing XINHUA Domestic Service in Chinese at 0900 GMT on 19 July transmits a service message killing the following item]

[Text] Jinan, 19 July—Following last year's serious outbreak of cotton bollworms, the main cotton-producing areas in our country are once again experiencing a grave infestation by cotton bollworms this year. According to an analysis by plant protection departments, a massive outbreak of third- and fourth-generation bollworms is expected in July and August if weather conditions are favorable for their outbreak.

As never before, cotton bollworms have caused concern throughout China in 1993. Leading State Council comrades have repeatedly made comments and given instructions on preventing and controlling cotton bollworms, on applying insecticides as a means of prevention and control, and on exterminating the bollworms. They have also chaired special meetings to study the problem and to devise plans. The Ministry of Agriculture regards the prevention and control of cotton bollworms as this year's major event. Since the beginning of June, the ministry has convened two meetings to plan a "campaign" to eradicate cotton bollworms.

The Worms Eat Up 4.3 Billion Yuan Worth of Cotton Each Year

Last autumn, a swarm of fourth- and fifth-generation cotton bollworms, which seemed to have come out of the blue, bit off each of the cotton bolls just as a bumper harvest was about to be reaped from the 1,200 mu of cotton planted by the Second Cotton Textile Mill in Guanxian County, Shandong Province. The bumper harvest that had earlier been within reach disappeared in an instant, causing 200,000 yuan in losses to the industry.

Similar losses were reported in various parts of the country. Statistics compiled by the State Statistical Bureau show that drought, low temperatures, cotton bollworms, and other disasters last year reduced our country's total cotton output by 20 percent, causing the total income of cotton growers to decline by more than 1.3 billion yuan from the previous year. According to an analysis by experts, cotton bollworms were the prime culprit among the many factors leading to lower output and income, causing approximately one-third of the losses. In other words, more than 4.3 billion yuan worth of cotton was practically eaten up by cotton bollworms.

This is indeed a staggering figure. Cotton bollworms—a major insect pest which heavily infests cotton-growing areas in our country—pose a danger from the moment cotton seedlings begin to sprout until the time the cotton crops are harvested, as they swallow up cotton leaves, squares, and bolls. The attack causes large numbers of cotton bolls to shed, stripping the stalks "bare." Even in normal years, our country loses 15 to 20 percent of its ginned cotton to bollworms.

Recent years have seen more outbreaks of increasingly virulent infestations by cotton bollworms. In 1990, cotton-growing areas in the Huanghe Valley experienced an outbreak of cotton bollworms, as second-generation bollworms laid more than 1,000 eggs on 100 plants in cotton fields. Cotton output in Shandong and Hebei Provinces decreased by approximately 100 million kg because of the insect pest. In 1992, over 60 million mu of cotton fields in the Huanghe, Changjiang, and Liaohe Valleys simultaneously came under serious attack by cotton bollworms, as second- and third-generation bollworms laid several thousand eggs on 100 trees in cotton fields and up to 10,000 eggs on other plots of land. It was a record outbreak. Huge swarms of bollworms frantically sucked the blood of cotton growers, who derived little benefit from their application of every available insecticide. In Shandong Province, which was hit hardest by cotton bollworms, total cotton output and per-unit yield decreased by 49.9 percent and 48 percent, respectively, causing our country's top cotton-producing province to suffer the lowest total cotton output and per-unit yield since 1981. Cotton growers in Shandong earned 4.45 billion yuan less in income, or 144 yuan less per capita, with the four major cotton-producing regions of Dezhou, Liaocheng, Binzhou, and Heze each reporting a decrease of approximately 200 yuan in per capita income.

Cotton Bollworms Are 'Invincible'

A primary school pupil in Liaocheng city, Shandong Province, captured 600 bollworms in a single morning, while a peasant in Yanggu County, Shandong Province, caught and killed 19 kg worth of bollworms in a single night.

A high-voltage mercury-arc lamp in Jiazhai Township, Chiping County, Shandong Province attracted 156,000 cotton-eating moths totalling 52 kg in a single night. On 5 July this year, the Ministry of Agriculture invited representatives from 17 cotton-producing provinces on a fact-finding trip to the township, where the visitors were shocked at the sight of 1,000 kg worth of moths in 10 full gunnysacks.

What was shocking to the visitors was not only the number of cotton bollworms but also the tenacious lives of these insects. Pesticide-related deaths of human beings are often reported in the cotton-growing areas of Shandong, but the failure to kill cotton bollworms with those same pesticides is such a common occurrence that it is never considered newsworthy. Some peasants, suspicious that the farm chemicals they used were fake, fed their fowl with cotton bollworms that had survived several doses of farm chemicals, causing the fowl to die unexpectedly. Cotton bollworms have become intractable because they have become immune to a particular type of farm chemical used over a protracted period of time. This growing resistance will significantly undercut the efficacy of farm chemicals in preventing and controlling cotton bollworms.

Can Mankind Conquer Cotton Bollworms?

Can mankind conquer cotton bollworms? The answer is affirmative both in scientific and historical terms.

In the history of war between mankind and cotton bollworms, however, many cotton-growing countries have paid a heavy price. Toward the end of the 1970's and the early 1980's, farm chemicals derived from chrysanthemum oil supplanted, in summary fashion, chlor-containing organic insecticides and phosphor-containing organic insect repellants, occupying a dominant position in and making substantial contributions to preventing and controlling cotton bollworms with chemicals. These chemicals were universally acknowledged as the best pesticides ever produced since the introduction of synthetic organic chemicals. Once praised by our

country's cotton growers as "exterminators," these pesticides have now lost their efficacy. Many cotton growers still entertain this pleasant memory: Prior to 1983, a single spray of "exterminators" could kill 99 percent of the bollworms. Now, bollworms would remain unharmed even if they were dipped in a solution made from these chemicals. Bollworms have developed an immunity to chrysanthemum-based pesticides that is several times or even several hundred times stronger than before, thus causing the "exterminators" to quickly lose their magic power. Plant protection experts have cited the government's ineffective management and organizational efforts, rather than the control techniques and measures per se, as the causes for the failure of these superior pesticides to prevent and control bollworms. The lack of high-level unified management in the initial stages of applying these farm chemicals over extensive areas, together with the prolonged, sustained, and unrestrained application of the same type of pesticides, have quickly produced an immunity in the bollworms.

Widely scattered households are the main cotton growers in our country. Low technological levels on the part of cotton growers and mismanagement of farm chemicals have compounded the overall effort to prevent and control cotton bollworms, highlighting the need for government coordination and organizational actions. Last year, cotton bollworms launched a full-scale attack in our country's main cotton-growing regions as a consequence of failed preventive and control efforts caused by the following two reasons: 1) Untimely prevention and control. Although cotton bollworms struck several days earlier than previous years, cotton growers carried out preventive and control measures at the usual times, thus missing a golden opportunity to prevent and control the bollworms. 2) Unscientific applications of farm chemicals. Besides fretting over some fake, inferior, and unsalable pesticides, cotton growers were also upset by the strong resistance exhibited by cotton bollworms. Consequently, they applied massive amounts of pesticides freely and randomly, and increased the frequency of applications. Besides failing to eradicate the bollworms, this practice created a new, pesticide-related hazard for cotton crops.

Although specific pesticides to prevent and control cotton bollworms have yet to be developed in the world, it is entirely possible to conquer cotton bollworms because the state and people in all circles showed concern, as never before, over their prevention and control.

East Region

Anhui Province Economy Retains 'Steady Growth'

OW1907145193 Beijing XINHUA in English 1328
GMT 19 Jul 93

[Text] Hefei, July 19 (XINHUA)—The overall economy in East China's Anhui Province remained a steady growth during the first half of the year.

During the six months the output value of the province's industrial enterprises under the provincial government's budget made 16.82 billion yuan (about 2.95 billion U.S. dollars), increasing by 16.8 percent over the same period of last year.

Thanks to the provincial government's efforts to protect the interest of farmers, the province's summer grain output has reached 7.085 million tons, 10.5 percent more than that of last year. This is also a new record in history, local officials said.

At the same time, the output value of the province's township and village enterprises reached 50.5 billion yuan, increasing by 78 percent.

In addition, energy and raw materials such as coal, electric power, steel and cement can basically meet the province's demand.

Experts also pointed out that there still remain some problems as to the province's economy, such as financial tension and fast pricing hikes.

Fujian's Town, Township Enterprises Develop

HK2007003093 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0913 GMT 4 Jul 93

[By correspondent Shi Qingbin (2457 3237 1755)]

[Text] Hong Kong, 4 Jul (ZHONGGUO TONGXUN SHE)—Increasingly robust investment from overseas businessmen in Fujian is fueling the growth of the province's export-oriented township and town enterprises. Their gross output and delivery value in the first five months rose to a total of 4.78 billion yuan, 116.7 percent higher than the same period last year, and a 40-percent average annual growth rate is forecast between 1993 and 1997 [figures as received].

Su Wenfu, the province's township and town enterprises bureau deputy director now conducting business-inducing activities in Hong Kong, told this correspondent that Fujian's township and town enterprises rank third nationally in gross output value, account for half of the province's industrial output value and 38 percent of its gross export and delivery amount, and have successfully created a system which produces a comprehensive range of products, is highly export-oriented, and features a variety of economic elements. There were 4,686 export-oriented township and town enterprises in the province in 1992, which employed 350,000 workers in

the production of export goods. Over 1,000 products were exported to over 60 countries and regions on all five continents, including products from fashion, handicraft, food, mining, machinery, textile, chemical, and light industries. The rapid rise of an export-oriented economy is working as a powerful engine of growth for Fujian's township and town enterprises.

Su Wenfu said that township and town enterprises have their unique characteristics: One, a wide range of cooperation; two, greater business autonomy; three, unique advantages in resources; four, extensive rural markets; and, five, relevant policies and measures which tend to be even more preferential. In line with the relevant state policies and demands, the authorities have unveiled a range of policies and measures which are far more preferential. This will create a better investment environment for developing export-oriented township and town enterprises.

According to reports, the business-inducing activities staged by the province's township and town enterprises in Hong Kong have been going well, with the signing of 401 projects worth \$1.98 billion in gross investment, \$1.61 billion of which is foreign capital.

Jiangsu Takes Steps To Gain Construction Funds

OW1907110093 Beijing XINHUA in English 1034
GMT 19 Jul 93

[Text] Nanjing, July 19 (XINHUA)—As part of China's ongoing economic reform program, a myriad of channels and sources are being tapped to gradually replace state financing of key infrastructural projects in eastern Jiangsu Province, provincial officials said.

As one of those measures, a shareholding aviation company will be established in the province to raise funds needed in the construction of the new Nanjing airport.

The airport needs an investment of 1.6 billion yuan, of which the government will provide half.

Under the central planning system adopted following the founding of the People's Republic in 1949, the government financed the construction of all key state projects. But with the reforms, and as local governments enjoy more economic autonomy, the central government has increasingly cut its investment in the field.

Reforms must be carried out in the investment system to meet market demands, one Jiangsu official said.

At present, there are several key projects that each need an investment of billions of yuan in the province. Under the province's new scheme, the investments will come from the establishment of shareholding companies, the transfer of land use rights, foreign investment or overseas loans.

The building of the Shanghai-Nanjing express highway requires an investment of 4.7 billion yuan and the

Jiangyin Yangtze River highway bridge 1.7 billion yuan. Both are short of construction funds.

A consortium consisting of 12 financial organizations in the province provides a loan of 150 million yuan to the newly-established Shanghai-Nanjing Express Highway Co. Ltd. The strategy marked the first time that a consortium has been formed in China for the construction of a key project.

Companies from Hong Kong will also invest in the Shanghai-Nanjing expressway and the Jiangyin Yangtze River highway bridge.

Funds from the United States, Hong Kong and Macao will be used to build the Xuzhou airport and a few large-scale power plants on the Yangtze River.

In the near future, more preferential policies will be outlined to attract increased foreign investment in infrastructure construction and key projects, the officials said.

Jiangsu Zone Completes Infrastructure Facilities
*OW2007022193 Beijing XINHUA in English 0059
GMT 20 Jul 93*

[Text] Nanjing, July 20 (XINHUA)—Infrastructure facilities in the Xingang (New Harbor) Industrial Zone near Nanjing harbor have been completed.

Nanjing harbor is China's largest inland river harbor. Located on the lower reaches of the Yangtze River in east China's Jiangsu Province, it is expected to handle 100 million tons of goods annually by the year 2000.

The industrial zone will mainly handle import and export processing, storage, and financial and trade business. So far, factory buildings, communication facilities and supplies of electric power, water and gas in the zone are ensured at a cost of 230 million yuan, officials in charge of the zone said.

In the vicinity of the industrial zone are 16 berths which can receive large ships. Four container shipping routes leading to Japan, Hong Kong, Singapore and the Mediterranean, respectively, have been opened. In addition, the largest railway marshaling yard in east China is being built nearby.

In accordance with international conventions, service agencies involving customs, commodity examination, financial insurance, notarization and bonding have been set up in the zone.

Up to now 45 domestic and overseas enterprises have settled into the zone with a total investment of 800 million yuan. They are mainly engaged in high-tech intensive processing industries and service trades.

Shandong Calls For Rectifying Monetary Order
*SK1907123693 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 18 Jul 93*

[Text] The provincial conference of governors of Banks of China concluded in Jinan on 18 July. Provincial leaders Zhao Zhihao, Li Chunting, Zhang Ruifeng, Song Fatang, Wang Jiangong, Wu Aiyang, and Wang Yuxi attended the conference that morning. Zhao Zhihao, deputy secretary of the provincial party committee and governor of the province, gave an important speech.

Zhao Zhihao said: In Shandong's current monetary work, achievements remain to be the main stream, but there are still problems we must not neglect. Rectifying the order, strictly enforcing discipline, and changing the chaotic situation in monetary work constitute the key to the current endeavor of strengthening macroeconomic regulation and control. Although the monetary situation of the province is not as chaotic as in some localities, it will become disastrous if it continues to develop. For instance, inter-bank money lending in violation of regulations, competition in collecting funds, unauthorized increase of interest rate, lax discipline in accounting, and stagnation in the circulation of funds in great amounts remain very serious in some areas. Therefore, based on the actual conditions of the province, we must screen loans and withdraw them within a definite time. No monetary organization is permitted to increase the interest rate of savings or loans without authority or in a disguised manner. Banks should immediately sever ties with the companies established independently. In rectifying the order in monetary work, we should have not only a firm determination but also correct methods so that good results can be achieved.

In speaking on the problems in monetary work, Zhao Zhihao urged the province to display the spirit of seeking truth from facts in addressing problems, to boost its morale through the rectification, and to improve the monetary work to a new level.

In speaking on seizing the opportunity to deepen reform and seek development in the process of rectification, Zhao Zhihao said: The basic purpose of strengthening macroeconomic regulation and control and rectifying the order in monetary work is to provide a still better environment for deepening reform and accelerating development. We should find a way out by accelerating the change of the old monetary system into the new, turn the efforts to solve the conspicuous problems in monetary work into the motivation and breakthrough in accelerating monetary reform, and inject still greater vigor into economic development. We should make greater efforts to organize savings deposits and to tap the potential for funds. The provincial government decided to launch the activities for the savings propaganda week from 21 to 31 July. It is hoped that monetary departments will continue the preparations for the activities and, while broadening the channels for money lending, strive to enliven and accelerate the circulation of the funds available. On the condition that the scope of credit

is put under strict control, we should concentrate funds on key projects. We should make sure that bank savings are recovered, no IOUs are issued to peasants, and key construction and renovation projects are developed. Projects not provided with necessary conditions should be canceled or suspended.

Shandong Holds Antismuggling Telephone Meeting

SK2007094393 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 19 Jul 93

[Text] On 19 July the provincial party committee and the provincial people's government jointly held a telephone conference in Jinan on dealing blows at smuggling with the participation of the responsible personnel from seven coastal cities and prefectures. It is aimed at implementing the spirit of the meeting of the provincial party standing committee and the opinions raised by the national leading group in charge of dealing blows at smuggling. It is on the work in this regard and at mobilizing these cities and prefectures to deeply carry out the struggle against smuggling crimes in a protracted manner.

During the conference Zhao Zhihao, deputy secretary of the provincial party committee and governor of the province, made work arrangements for dealing blows at smuggling crimes on behalf of the provincial party committee and the provincial people's government.

Since the beginning of this year, party committees and governments at all levels throughout the province have further enhanced the leadership over the work of dealing blows at smuggling and organized or mobilized the relevant departments to rely on and arouse the masses to carry out in an overall way the struggle against smuggling crimes. They have made marked achievements in the work. They have also cracked down and handled a large number of serious smuggling cases on the sea. They have arrested or taken into custody 24 chief criminals of smuggling in line with the law and imposed party and administrative disciplinary sanctions on the cadres involved in the cases at grass-roots levels. The province's evil trend of car smuggling on the sea has been basically blocked at present. The spreading of smuggling and of trafficking in smuggled goods has been stopped. However, smuggling activities in some localities are still relatively serious at present. In response, Zhao Zhihao put forward the following demands in his speech: 1) We should further upgrade our understanding and realistically grasp the work of dealing blows at smuggling by regarding it as a seriously political task. Units at all levels throughout the province and particularly first leading personnel of party committees and governments should realistically take personal charge of the work and treat the work by regarding it as a seriously political task. They should adopt effective measures to achieve results in the work as soon as possible. 2) We should earnestly implement the principle of strictly punishing smuggling criminals in a timely manner according to the law and deal

strict blows at smuggling crimes. A success in investigating and handling the smuggling cases represents a breakthrough in promoting the deepening struggle against smuggling. Various localities must grasp the work of investigating and handling cases by regarding it as a crucial measure of the current struggle and must be very determined to organize powerful leading bodies to handle entirely all uncovered cases in line with the law by eliminating all resistances, no matter what personnel and units have been involved. They should capture all criminal elements who continue their smuggling despite the crackdown and should affix responsibility on the local leadership for the crimes. 3) We should realistically enhance the leadership over the work of dealing blows at smuggling, enforce the responsibility system, and have the department at the level be responsible for its subordinate units in the struggle. Localities should ensure the clear and thorough investigation of their cases and guarantee the disappearance of smuggling activities in them. The departments of public security, customs affairs, industry and commerce, aquatic production, tobacco management, railroad, and communications should assume responsibility in a down-to-earth manner in this regard and actively carry out the work. The departments of banking and finance should bring under strict control loans and money withdrawal so as to cut the fund sources of smuggling elements. By regarding the work as a big event at present, the departments of discipline inspection and supervision should grasp the work of investigating and handling the cases committed by cadres who have joined in or covered the smuggling activities. We should discover the fact of all cases, no matter what personnel and cadres at any level have been involved, and strictly deal with them in line with the party discipline and the state law.

Attending the telephone conference were Tan Fude, Sun Shuyi, Wang Yuxi; the mayors and commissioners of cities and prefectures of Weihai, Yantai, Rizhao, Binzhou, Weifang, Qingdao, and Dongying; as well as responsible comrades from the relevant provincial level organs and the Qingdao Customs Office.

Shandong Reports Industrial, Communications Work

SK2007093893 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 16 Jul 93

[Text] On the afternoon of 16 July the provincial people's government sponsored a telephone conference to summarize the industrial and communications work done in the first half of this year and to mobilize staff members and workers on the industrial and communications front to heighten their spirit and to promote the sustained, healthy, and fast development of the province's industrial and communications front.

Vice Governor Chen Jianguo delivered a speech at the conference, in which after summarizing the major achievements in the province's industrial and communications front in the first half and the basic situation

prevailing on the front he said: Restrictions over the major economic environment were too tight and the impact of bottleneck became intensified. The irrational structure of products was not greatly improved. The entire level of economic results was not high and the quality was inconsistent. There was a trend in which the cost rose and losses increased.

In his speech Chen Jianguo stressed: Departments and enterprises in various cities and prefectures should vigorously concentrate their efforts on upholding the center of increasing economic results in promoting the industrial and communications production in the second half. They should open as many roads as possible of production with fine quality and brisk sales and of export-oriented production with good economic results. However, they should curtail the growth without economic results while letting the production continue and should resolutely curtail the worthless growth.

In his speech Chen Jianguo said: A fundamental way to deal with the contradictions and problems in the economic life lies in relying on the deepening of reform, in continuously implementing the regulations and the measures formulated by the provincial authorities, and in further delegating the self-determination rights of production and operation to enterprises. Efforts should be made to broaden the measures to rapidly reverse the declining quality. In conducting technical renovations at present, we should concentrate our forces and funds and protect the key projects. According to different states of affairs, we should maintain some investment projects, delay some, and curtail some. The most practical and effective measure at present is to have the internal affairs in mind, to reinforce the management, to tap the potential, and to vigorously launch the campaign of increasing production and practicing economy as well as of increasing revenues and curtailing expenditures. We should merge the enterprises that have long suffered losses, have no hope for switching their losses to profits, and can be merged with others. We should resolutely close the enterprises that deserve to be closed or suspend their production. Meanwhile, efforts should be made to enhance the macro readjustment and control and to realistically strengthen the work of organizing and coordinating the production.

Some Shanghai Firms May Approve Overseas Trips

OW1907110193 Beijing XINHUA in English 1013
GMT 19 Jul 93

[Text] Shanghai, July 19 (XINHUA)—A total of 35 enterprises in Shanghai have been given the right to approve overseas business trips, according to Wang Zukang, director of Shanghai's Foreign Trade and Economic Co-operation Committee.

Customarily in China enterprises must first get approval from local departments of foreign trade and economic co-operation for business trips to foreign countries.

According to a meeting on this subject, the approved enterprises are those which are authorized to manage exports by themselves and are able to record 10 million U.S. dollars in yearly earnings from exports, as well as enterprises engaged in exports of machinery and electrical products with yearly earnings above five million U.S. dollars.

At present, the city has more than 1,000 enterprises with the right to manage their own exports. Meanwhile, the exports of enterprises engaged in exports of machinery and electrical products account for one third of Shanghai's total volume of exports.

Local officials said that the reform step would surely play a positive role in helping these enterprises to expand exports and get more local products into world markets.

Also disclosed a package of other encouraging measures for bringing about quick increases in the exports of the municipality.

Li Zemin Addresses Zhejiang Party Committee

OW1907062993 Hangzhou ZHEJIANG RIBAO in
Chinese 12 Jun 93 p 1

[Unattributed report: "The Ninth Plenary Session of the Eighth Zhejiang Provincial CPC Committee Adopted a Resolution That the Ninth Provincial Party Congress Will Be Held in December"]

[Text] The Eighth Zhejiang Provincial CPC Committee held its ninth plenary session in Hangzhou on 11 June. The main subject of the agenda for this session was to deliberate and approve a (draft) "Resolution of the Ninth Session of the Eighth Zhejiang Provincial CPC Committee on the Convocation of the Ninth Zhejiang Provincial CPC Congress." Li Zemin, secretary of the provincial party committee, made a speech at the meeting on related matters concerning the convocation of the Ninth Zhejiang Provincial CPC Congress and current tasks.

The plenary meeting pointed out that the forthcoming Ninth Zhejiang Provincial CPC Congress will be held under the new situation in which people of the whole province are penetratingly implementing the guidelines of Comrade Deng Xiaoping's important talks made during his southern inspection tour and the 14th CPC National Congress, seizing the opportunity to accelerate reform and opening up, and promoting economic development. The successful convocation of the provincial party congress will have an extremely important and profound bearing on actively, wholly, and correctly implementing the guidelines of the 14th CPC National Congress; firmly implementing the party's basic line of "one center and two basic points"; uniting and leading all party members and people in this province to further emancipate their minds, seek truth from facts, take advantage of the current favorable situation, deepen reform, further open up to the outside world, and promote the development of national economy in a faster

and better way; strengthening party building; and promoting the development of spiritual civilization and legal system.

Through voting after serious deliberations, the plenary session unanimously approved the "Resolution of the Ninth Session of the Eighth Zhejiang Provincial CPC Committee on the Convocation of the Ninth Zhejiang Provincial CPC Congress."

Attending the plenary session were members and alternate members of the provincial party committee. Members of the provincial advisory committee, members of the provincial discipline inspection committee, secretaries of party committees of various cities and prefectures, and secretaries of party committees of provincial level organizations, schools of higher learning and various enterprises attended the meeting as observers.

Central-South Region

Guangdong Meets Bond Subscription Quota

HK2007131093 Guangzhou Guangdong People's Radio Network in Mandarin 1000 GMT 16 Jul 93

[Text] Statistics show that, as of 15 July, the aggregate value of the treasury bonds that Guangdong has subscribed for the year 1993 was 2,257.83 million yuan, which represents 100.17 percent of the quota assigned by the state.

The treasury bond subscription task for our province has been very challenging this year. All localities and departments took the overall interests into account and observed discipline. They overcame various difficulties, made strenuous efforts, and stepped up their work. The party and government leaders at all levels closely attended to this matter. Financial departments in various localities did a good job in propaganda and mobilization and adopted a series of effective measures in fund disposition. With the overall interests in mind, monetary organizations overcame the shortage of funds and accomplished their underwriting tasks. Enterprises and the broad masses enthusiastically subscribed for the treasury bonds and contributed to the state fund-raising effort.

Guangdong Radio Reports Jan-Jun Revenue

HK2007130293 Guangzhou Guangdong People's Radio Network in Mandarin 1000 GMT 16 Jul 93

[Text] Guangdong Province's financial budget has been well executed during the first half of the year. The growth of revenue and expenditure was by and large in sync with economic development. The speed of the budget execution and the growth rate were the highest since improvement and rectification began.

According to statistics, from January through June this year, the province's aggregate revenue rose 29.73 percent over the same period last year. The revenues of 20 cities

in our province increased over the same period to various degrees last year. The following cities enjoyed a growth rate of more than 35 percent: Zhuhai City, Huizhou City, Zhaoqing City, Jiangmen City, (Xinyang City), Foshan City, Yangjiang City, Dongguan City, and Zhanjiang City.

Guangdong Regulations on Old-Age Insurance

HK2007064893 Guangzhou NANFANG RIBAO in Chinese 18 Jun 93 p 2

["Guangdong Province Temporary Regulations on Social Old-Age Insurance for Staff and Workers"]

[Text] Notice on promulgating the "Guangdong Province Temporary Regulations on Social Old-Age Insurance for Staff and Workers."

Governments of various cities, counties, and autonomous counties, as well as units directly under the provincial government:

You are hereby issued with the "Guangdong Province Temporary Regulations on Social Old-Age Insurance for Staff and Workers"; please implement them seriously. Governments at various levels should strengthen leadership, standardize the actions of various departments, and do a good job in propaganda before implementation. The problems arising from implementation can be reflected to the provincial social insurance committee.

Guangdong Provincial People's Government. 7 June 1993.

Chapter I: General Principles

Article 1. In order to protect the basic livelihood of retired staff and workers, and to safeguard social stability, these regulations are drafted according to the "PRC Constitution" and the relevant regulations of the State Council, taking into consideration the actual conditions of our province.

Article 2. These regulations apply to all enterprises and business units, party and government organizations, social groups, urban individual industrial and commercial operators (hereafter referred to as units) in Guangdong Province, as well as to all their staff and workers.

Article 3. The work in social old-age insurance is to be managed by the social insurance business bureaus of various levels. The social insurance business bureaus of various levels are to be led directly by the people's governments corresponding to their levels, and managed and guided by the next higher social insurance business bureaus in their locations. City and county social insurance business bureaus may set up offices and service consultation networks and outposts in towns (districts) according to need.

Provincial and city social insurance committees guide and coordinate the work in social old-age insurance for staff and workers, and supervise implementation of these regulations.

Article 4. Units, staff, and workers must participate in social old-age insurance. The old-age insurance fund will follow the part accumulation method, and be shared by the three sides: the state, units, and staff and workers. Old-age insurance remuneration is linked to the amount and years of contribution; it corresponds to the development of national economy and the improvement of living standards in society.

Article 5. The government should use legal, administrative, and economic means to ensure the collection and payment of social old-age insurance funds. When there is a special situation in which the social old-age insurance fund is not adequate for use, subsidies can be drawn from revenues.

Chapter II Collection of Insurance Fund

Article 6. Units, staff, and workers must pay old-age insurance expenses every month. The old-age insurance expenses paid by units are to be drawn and listed as expenditure items, as prescribed by finance and taxation departments; put under the social old-age insurance fund; and owned collectively by the staff and workers participating in social old-age insurance. The old-age insurance expenses paid by individual staff and workers are to be put into individual old-age provision accounts.

Article 7. The old-age insurance expenses paid by a certain unit are calculated and collected according to a certain proportion of the total amount of wages of staff and workers (statistical requirements) in that unit, whereas the concrete proportion is to be determined by the provincial and city social insurance business bureaus according to the principle of guaranteed remuneration and to an accumulation rate of not less than 2 percent of the total amount of wages (the proportions for collection determined by various cities must be examined by the provincial social insurance business bureau), and submitted to the provincial and city people's governments for approval before implementation.

Old-age insurance expenses paid by individuals are calculated and collected according to 2 percent of their incomes, and this proportion is to be adjusted by the provincial social insurance business bureau according to a fixed schedule after securing approval from the provincial people's government, to match with the actual increase in income of staff and workers and to meet the need for accumulation in individual old-age provision accounts.

The old-age insurance expenses paid by individual industrial and commercial operators in a city are based on the average monthly wage income of the staff and workers in that city last year, and calculated and collected according to the sum of the two rates of expenses to be paid by units and individuals (fixed calculation and collection), and listed into the social old-age insurance fund and individual old-age provision accounts respectively.

The part of the monthly wage income of individual staff and workers which is on top of the part which is two

times larger than the average monthly wage income of staff and workers in the city last year, will be excluded from the calculation for collection of old-age insurance expense, and will not be calculated as fees to be paid from wages.

Article 8. The old-age insurance expenses to be paid by units are to be deducted from their bank accounts when banks receive the monthly collection orders from the social insurance business bureaus in the relevant localities, just as they deduct money for wage purposes; the money then will be transferred to the bank accounts for old-age insurance fund opened by the social insurance business bureaus. Units should not refuse payments. The old-age insurance expenses to be paid by individual staff and workers are to be deducted from their wages by the units in which they work. The old-age insurance expenses to be paid by the personnel working abroad are to be deducted and collected on their behalf by the units sending them abroad. The old-age insurance expenses to be paid by individual urban industrial and commercial operators and their employees are to be collected with the assistance from industrial and commercial administration departments.

Article 9. When a unit closes and carries out liquidation, the liquidator should inform the social insurance business bureau in the locality, and refund old-age insurance expenses first.

Chapter III Conditions for Enjoying Old-Age Insurance

Article 10. Participants in social old-age insurance according to these regulations, on approval by the social insurance business bureaus in their localities, may receive a monthly amount of old-age pension until they die, provided they meet the following conditions:

- 1) Reach the age of retirement, and go through the retirement formalities according to state regulations.
- 2) Have paid old-age insurance expenses for 10 years or more.

Article 11. The number of years of payment of old-age insurance expenses is accumulated on the basis of the length of time in which payment is made. The time in which old-age insurance expenses are not paid according to the stipulated standard, and the time in which payment is ceased, are not counted as year of payment.

The years of payment of old-age insurance expenses before the implementation of these regulations are counted as years of payment.

The number of continuous years of service of regular staff and workers in the enterprises owned by the whole people and in the collective enterprises at or above county level, counted according to state regulations, before they participate in social old-age insurance, are viewed as years of payment.

Chapter IV Old-Age Insurance Remuneration

Article 12. The social old-age insurance remuneration after staff and workers retire includes: Old-age pension,

funeral expenses, relief money for directly related family members, and subsidies in case of difficulty in daily life.

Article 13. The old-age pension is composed of three parts: Basic old-age pension, additional old-age pension, and individual account old-age pension. Basic old-age pension and additional old-age pension are to be drawn from the social old-age insurance fund.

1) Basic old-age pension: Retired staff and workers receive an amount that is 30 percent of the average monthly wage of staff and workers in their city last year; resigned and retired cadres receive 35 percent. When there is a relatively great change in the ratio of average basic social living expense of staff and workers to wage income, the province will make adjustments centrally.

2) Additional old-age pension is given according to the following standards:

A staff or worker who has paid expenses for 10 years but less than 15 years, will receive for each year 1 percent of the indexed [zhi shu hua 2422 2172 0553] average monthly expense he has paid.

A staff or worker who has paid expenses for 15 years or more, will receive for each year 1.2 percent of the indexed average monthly expense he has paid.

Additional old-age pension is to be centrally adjusted by city according to the increase in the average monthly expense paid by staff and workers last year.

When a staff or worker retires ahead of schedule due to loss of working ability caused by illness, for each year ahead of the schedule, 1 percent of the indexed average monthly expense paid by him in the additional old-age pension will be correspondingly deducted; those who retire from special jobs ahead of schedule are exempted from this.

3) Individual account old-age pension: When a staff or worker retires, the insurance fund and its interest kept in his individual old-age provision account will be converted into annual old-age pension, and be drawn on a monthly basis.

When a staff or worker resettles outside the country or dies, the insurance fund and its interest kept in his individual old-age provision account, will be refunded to him or his legal heir.

When the savings deposit (including interest) of a person in his individual old-age provision account at the time of his retirement is smaller than the sum of six months of the average monthly expense paid by staff and workers in his city last year, he may withdraw it once and for all.

Article 14. Those who have fewer than 10 years of payment will not receive basic old-age pension and additional old-age pension, but will receive an amount of old-age allowance once and for all. The standard for this old-age allowance is: For every year of the payment he

makes, he will receive two months of the indexed average expense he has paid.

Article 15. When a retired staff member or worker who has participated in social old-age insurance dies, his funeral expenses, relief money for directly related family members, and subsidies in case of difficulty in daily life, are to be issued according to the regulations of the state and province.

Chapter V Management of Insurance Fund

Article 16. Regardless of the ownership nature of units and the status of staff and workers, the old-age insurance fund is to be centrally managed by the social insurance business bureau in the locality where the units are situated. The units set up by the central authorities in cities and counties, the units under the provincial authorities in cities and counties, and the units set up by the Army in cities and counties are to be managed by the social insurance business bureaus in the relevant localities respectively; such units in Guangzhou are to be managed by the provincial social insurance business bureau. The old-age insurance fund is used for its specific purpose, and no unit or individual should grab it for other purposes.

Article 17. When the staff and workers who have participated in social old-age insurance transfer to other provinces (regions), they should perform formalities to transfer old-age insurance relations according to the state's relevant regulations. For those who transfer to work units in other prefectures within the province, the social insurance business bureaus in the relevant cities and counties (districts) will perform formalities to transfer old-age insurance relations. The concrete transfer methods will be drafted by the provincial social insurance business bureau with reference to these regulations here.

Article 18. Social insurance business bureaus or the assigned agents have the responsibility of issuing monthly old-age pensions to the retired staff and workers.

Article 19. The banks taking care of old-age insurance funds will calculate interest according to the interest rate for the savings deposit made by urban and rural residents in the same period, and transfer the interest to the old-age insurance fund.

Article 20. According to the relevant regulations and upon approval by the provincial social insurance business bureau, and on the premise of guaranteed payment of pension, the social insurance business bureaus in various cities and counties may operate the old-age insurance fund according to the principle of "safety, increase in value," and transfer the returns on the operation to the old-age insurance fund, without having to pay tax. Governments of various levels and the relevant departments should provide necessary conditions for the safe operation of old-age insurance funds.

Article 21. Social insurance business bureaus may collect a management fee which is 2-5 percent of the total amount of the collected social insurance fund, and concrete proportions should be worked out by the social insurance business bureaus in various cities according to the number of staff and workers participating in old-age insurance, and be submitted to the provincial social insurance bureau for examination and to the local governments for approval. The management fee is exempted from business tax and income tax.

Article 22. The social insurance business bureaus of various levels should establish financial, statistical, and auditing systems; perfect them; and submit old-age insurance fund income and expenditure reports to the social insurance committee, finance department, auditing department, and the relevant departments, as well as reports on annual budget and final settlement of account of operation and management, and on quarterly balance.

Article 23. The basic old-age pension within the old-age insurance fund is to be audited centrally by the province, and the additional old-age pension and individual account old-age pension are to be audited by the cities respectively.

Before the basic old-age pension can be audited centrally by the province, various localities should turn over to the province 2 percent of the total amount of old-age insurance fund as regulatory fund, of which cities receive 1 percent and the province receives 1 percent, for use to regulate the difficult areas and enterprises. Regarding the regulatory fund, which should be handed to the province and cities by various localities, the provincial and city social insurance business bureaus will send payment collection notices to the banks instructing them to deduct payments from accounts, and no refusal is allowed.

Chapter VI Inspection and Punishment

Article 24. All units must participate in social old-age insurance. When the industrial and commercial administration departments of various levels issue or cancel the business licenses of enterprises, and when the organs in charge of examination and approval of business units approve the establishment or abolition of business units, they must send notices to the social insurance business bureaus in the relevant localities for the record.

Article 25. When units and staff and workers exceed the time limit for paying old-age insurance expenses, an overdue charge of 0.5 percent of the amount that should be paid will be added daily, and if they refuse to pay, the social insurance business bureau will notify the banks in which they have accounts to compulsorily deduct money from their accounts, or apply for compulsory execution from the local people's courts, and impose a daily fine of 1 percent of the amount that should be paid. The overdue charge and fine will be transferred to the social old-age insurance fund. Units that refuse to participate in social old-age insurance, evade old-age insurance

expenses, or are in arrears with payments for more than three months, will have their business licenses canceled by the industrial and commercial administration departments.

Article 26. When the number of staff and workers in a unit changes, the unit should perform formalities with the social insurance business bureau in the same month. The social insurance business bureau has the right to inspect the number of staff and workers in the unit, as well as its total amount of wages, the situation of payment by the unit and its staff and workers, and the relevant operational situation. The unit should announce the payment situation to staff and workers according to a fixed schedule, so as to accept supervision by the staff and workers.

Article 27. Units, staff, and workers have the right to inquire about the situation of payments made by units in social insurance business bureaus, and about the relevant situation of the individual accounts of staff and workers, and to supervise the issuance of old-age insurance remuneration. The social insurance organs should provide corresponding services.

Article 28. When the conditions for enjoying old-age insurance remuneration for retired staff and workers and their directly related family dependents change or cease to exist, they and their dependents should report this to the social insurance business bureaus immediately. Regarding those who make fraudulent reports, hide details, and falsely claim old-age insurance remuneration, once they are detected the social insurance business bureaus will order the return of the money, and impose a fine equalling 20 percent of the money. Regarding those who refuse to pay, the social insurance business bureaus that have decisions on the cases will submit applications to the people's law courts for compulsory execution.

Article 29. When a unit that violates these regulations by having one of the following behaviors, the government department of the next higher level should instruct it to correct itself; when the behavior is serious, the government department of the same level or the relevant government department of the next higher level should impose disciplinary sanctions on the personnel in charge or the personnel with direct responsibility; when the behavior constitutes a crime, the judicial organ will pursue criminal responsibility according to the law.

- 1) Unauthorized embezzlement of old-age insurance fund to make up economic difficulties or run other businesses;
- 2) Unauthorized change of the nature of old-age insurance fund, violation of the operation system of the fund, and transfer of money from the fund to run business activities;
- 3) Seizure and embezzlement of the management fees belonging to social insurance business bureaus;

4) Occupation of the premises, transport tools, and other materials that belong to social insurance business bureaus;

5) Retaliation against those in charge of social insurance business bureaus and relevant personnel who refuse to allow old-age insurance funds and management fees to be embezzled and extorted, and who resist the seizure of social insurance funds and assets.

Article 30. When a social insurance business bureau violates regulations by having one of the following behaviors, the local government or the supervisory department of the next higher level should instruct it to correct itself; when the behavior is serious, they should impose disciplinary sanctions on the leader of the unit or the person who has direct responsibility; when the behavior constitutes a crime, the judicial organ will pursue criminal responsibility according to the law.

- 1) The old-age insurance expenses paid by units, staff, and workers have not been deposited in the bank account for old-age insurance funds;
- 2) Unauthorized use of old-age insurance funds;
- 3) Randomly reduce, waive, or increase the old-age insurance expenses that should be paid by units;
- 4) Randomly decrease or increase old-age insurance remuneration to retired personnel;
- 5) Randomly increase the proportion of the management fee;
- 6) Embezzle old-age insurance funds and management fees.

Chapter VII Handling of Disputes

Article 31. When units and retired staff and workers dispute the implementation of these regulations, they may complain to the social insurance business bureau of the next higher level. If they are not satisfied with the handling of their complaints, they have the right to file a lawsuit in the local people's court within two months after receiving the notice on the handling of their complaints. Chapter VIII Supplementary Provisions

Article 32. The "enterprises" referred to by these regulations include the enterprises under various kinds of ownership systems, joint stock enterprises, joint venture enterprises, town and township enterprises, foreign-funded enterprises, private enterprises, urban individual industrial and commercial operators, and military enterprises. "Staff and workers" refer to regular staff and workers (including cadres in enterprises, workers, and the regular staff and workers in the People's Liberation Army who have no military status), staff and workers on contract terms, temporary workers, peasants who take turns to work as workers, Chinese staff and workers in foreign-funded enterprises, and personnel working abroad.

Whether foreign personnel and Hong Kong, Macao, and Taiwan personnel should participate in the local social old-age insurance is to be decided by the enterprise (company) concerned, and written down in the enterprise (company) contract.

The enterprises owned by the whole people which have excess retirement expense burdens, and for this reason cannot be included in the overall planning of retirement expenses in society according to unified standards before the implementation of these regulations, and collective enterprises that practice collective planning based on a low standard, may temporarily maintain the method of fixing proportions according to grades, and may make the transition to enforcement of these regulations gradually.

Except for those that are exempted by the State Council, enterprises directly under the central authorities in Guangdong Province follow these regulations.

The concrete procedures for implementing social old-age insurance for state cadres and regular staff and workers in business units, party and government departments, and social groups, are to be drafted according to the these regulations.

Article 33. Before implementation of these regulations, the wage indexes among staff and workers all are to be calculated and adjusted according to the ratio of individual standard wage plus the subsidies prescribed by the state and province in 1993 to the average standard wage in that particular city, plus the subsidies prescribed by the state and province in 1993. After implementation of these regulations, the calculation will base on the levied wages.

Article 34. Beginning 1 January 1994, old-age insurance remuneration for retired staff and workers is to be calculated and issued according to these regulations; when the level of remuneration calculated and issued according to these regulations is lower than the original level, compensation will be made to meet the original level.

Retirement expenses for staff and workers who have retired already at the time these regulations are implemented, will be added to the sum of various kinds of subsidies, then divided into basic old-age pension and additional old-age pension according to these regulations. Adjustments will be made yearly according to these regulations.

Article 35. Beginning from the date of implementation of these regulations, various kinds of retirement allowances currently given by the state and province will be merged into the basic old-age pension and the additional old-age pension, and will not be calculated and issued individually. Any additional allowances prescribed by the state in the future will be settled through the yearly adjustment and the additional old-age pension, and will not be given as individual items.

Article 36. Various city governments may draft supplementary local old-age insurance measures according to these regulations, and will report them to the provincial social insurance committee and provincial social insurance business bureau for the record.

Article 37. These regulations will be implemented beginning 1 August 1993.

Hainan Reports Industrial Output Statistics

HK2007142093 Beijing ZHONGGUO XINWEN SHE
in English 1341 GMT 20 Jul 93

[Text] Haikou, July 20 (CNS)—In the first half of this year, Hainan Province had an industrial output value of rmb 3.889 billion [renminbi], an increase of 27.1 percent over the same period last year and surpassing the average speed of growth nationwide. State-run enterprises increased by 27.1 percent, collective-owned enterprises by 59.3 percent and other types of enterprises by 16.2 percent.

According to statistics, since the beginning of this year, not only has the increasing speed of growth of industrial production ranked the province one of the highest in the country, but also industrial sales in the province have been doing very well. The economic results of enterprises were better and made the period one of the best since the province was established.

This year, heavy industry in Hainan has increased faster than light industry with an increase of 52.6 percent. Of 22 main industrial products, 15 have increased production to varying degrees.

The industrial output value in 13 cities and counties among the 19 cities and counties in the province has increased by varying degrees over the same period last year with the rate of increase in six cities and counties reaching more than 20 percent.

The first half of this year saw the total industrial sales value reach rmb 3.581 billion, an increase of 38.2 percent over the same period last year.

Southwest Region

Guizhou Outlines Measures To Promote Economy

HK2107063993 Guiyang Guizhou People's Radio
Network in Mandarin 2300 GMT 17 Jul 93

[Text] The provincial conference of prefectural administrative commissioners, autonomous prefecture commissioners, mayors, and directors of departments and bureaus directly under the provincial authorities was held in Guiyang yesterday. At the meeting, Vice Governor Zhang Shukui set out 10 measures to implement the guideline of the No. 6 Central Document and to promote economic development in Guizhou.

The major content of the 10 measures is to rectify the financial order, promote healthy development of the financial market, broaden sources of income and reduce expenditure, strive to reverse the trend of falling financial revenues, do a good job in administration of key projects under construction to ensure that the real benefit of projects will be fully brought into play, continue to accomplish construction of development zones in an

orderly manner, expedite the pace of attracting foreign investment, enhance the administration of real estate development, vigorously and safely carry out price reform, stabilize commodity prices on the market, continue to speed up the experimental work of implementing the joint stock system, try every possible means to reap a bumper harvest in agriculture and to ensure strong momentum of industrial growth, uphold the principle of grasping two types of work at the same time to conscientiously strengthen the building of an honest government, accelerate the pace of reform and opening up, and ensure that various reform policies are implemented one by one.

Zhang Shukui urged departments at all levels to particularly fulfill three present tasks: The first one is to accomplish the work of producing and marketing flue-cured tobacco, the second one is to strive to ensure the completion of the subscription of treasury bonds, and the third one is to improve grain production.

Sichuan Secretary Addresses Propaganda Meeting

HK1907144393 Chengdu Sichuan People's Radio
Network in Mandarin 2300 GMT 15 Jul 93

[Text] The [words indistinct] provincial forum on propaganda and ideological work has closed in Shuangliu County. Propaganda chiefs from party committees of all cities, prefectures, and autonomous prefectures throughout the province as well as the persons in charge of propaganda and culture departments at the provincial level and main grass-roots units gathered together and explored and studied how to make propaganda and ideological work serve economic construction, reform, and opening up better under the new circumstances in the specific context of the current state of economic work and propaganda and ideological front, in light of practices in their respective regions. They also shared their experience and respective achievements in further improving and strengthening propaganda and ideological work, correctly controlling media orientation, improving propaganda's effect, and so on and offered many constructive suggestions. Through extensive in-depth discussion, they obtained a clear understanding of the mission, guidelines, and work methods on the propaganda and ideological front under the new circumstances and resolved to help promote the sustained and steady development of the province's economy through propaganda and ideological work, so that the building of spiritual civilization in our province can be further intensified under the new circumstances.

During the meeting, provincial Secretary Xie Shijie delivered an important speech.

Governor Xiao Yang emphatically pointed out in his speech: On the whole, the current economic situation in Sichuan and the entire country is good. But some difficulties and problems have emerged. The key to solving them lies in continued deepening of reform. During the period of transition from the socialist planned economy

to the socialist market economy, new changes are happening to the people's ideology, concepts, values, and so on. [words indistinct], it is important to pay special attention to building two civilizations, conducting propaganda and ideological work, and strengthening the broad masses' education in ideals and morality, deepening their cultural consciousness, and developing national culture.

Qin Yuqin, deputy secretary of the provincial party committee, gave a concluding speech. She analyzed the new realities facing the spiritual and ideological front and called on all localities to more deeply study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, study socialist market economic theory, and, in accordance with the theme of the central instructions, make meticulous efforts to properly organize economic propaganda, do a good job on media orientation, and strengthen the building of leadership groups on the front of propaganda and ideological work as well as investigation and study.

Governor Addresses Sichuan Trade Union Council

HK1707054693 Chengdu Sichuan People's Radio,
Network in Mandarin 2300 GMT 12 Jul 93

[Text] The ninth congress of the provincial trade union council, which lasted five days, closed in Chengdu yesterday. Provincial leaders Xiao Yang, Qin Yuqin, Guo Jinlong, Pu Haiqing, Song Dafan, Yangling Doje, and others attended the closing ceremony. Xiao Yang made a speech on current economic work.

In his speech, Xiao Yang fully affirmed the principal role played by our province's vast numbers of workers and staff in reform, opening up, and economic construction, and in line with the actual situation in our province, he thoroughly analyzed the shortcomings of the planned economy under the new period and the superiority of socialist market economy and its great potential. In referring to some new problems and difficulties that inevitably will arise during the transition from the planned economic structure to the socialist market economy, he hoped workers and staff throughout the province will have a sober understanding and a correct attitude. He said: It is certain that some problems and difficulties in the way of our advance will be solved through deepening reform and gradually establishing the socialist market system.

Xiao Yang pointed out: At present, the general economic situation of the whole country and our province is very good, and there is marked growth in agricultural and industrial production and in financial revenue. Regarding problems that have arisen in our province's economic realm, such as a shortage of funds, and overheated and unreasonable investment, our province will integrate with the guideline laid by the central authorities on the current economic situation to continue taking vigorous measures to strengthen macroeconomic regulation, rectify the financial order, and conscientiously

ensure harmonious economic development in our province. He urged workers and staff throughout the province to continue to fully play the role of the principal force and to make greater contributions to thoroughly realizing the second step of the strategy for the modernization of Sichuan.

During the meeting, participants fully affirmed and summed up the work accomplished by the provincial trade union council since the eighth congress, studied and decided on the tasks in the next five years following the ninth congress of the provincial trade union council. After thorough discussion, members of the committee of the ninth congress of the provincial trade union council, members of the Trade Union Inspection Committee, and deputies to the 12th Congress of Trade Unions in China were democratically elected. Moreover, advanced collectives and individuals were commended. The closing ceremony was chaired by Chen Baichen, chairman of the standing committee of the congress presidium.

Tibet Has Over 600 Satellite Ground Stations

HK1907095093 Beijing ZHONGGUO XINWEN SHE
in English 0645 GMT 19 Jul 93

[Text] Lhasa, July 19 (CNS)—According to an official from the Tibetan regional Bureau of Radio, Film and Television, the Tibet Autonomous Region now has two television stations, 203 television transmission stations and stations to receive and transmit satellite television signals and more than 600 satellite ground stations. Residents throughout the region can now receive and watch television programmes from the Central Television and the Tibetan Television Station.

According to the official, television was virtually non-existent in the region up to 1978. Since then, state and regional government departments have invested nearly rmb 200 million [renminbi] in this sector. Now all prefectures, cities and counties as well as more than 250 rather remote townships in the region can receive both Tibetan and Chinese programmes from the two stations.

The Translation and Production Centre for Radio and Television Programmes has recently been set up with an investment of rmb 54 million. On its completion in September, 1995, it will broadcast simultaneously five different Tibetan and Chinese programmes and one FM and stereo radio programme along with four different television programmes.

Yunnan Plans Economic Work in Meeting

HK1907055493 Kunming Yunnan People's Radio
Network in Mandarin 1000 GMT 15 Jul 93

[Text] The provincial government's second routine administrative meeting was held in Kunming 12-14 July. In light of the spirit of Comrade Deng Xiaoping's southern tour remarks and the spirit of the 14th CPC Congress, this meeting made a fact-based analysis of our

province's economic situation in the first half of this year; particularly studied and worked out specific measures to implement the central authorities' policy decision on strengthening macroscopic regulation; and mobilized the people throughout the province to seize, cherish, and utilize the opportunity so that our province's economy can develop in a healthy and real manner.

Governor He Zhiqiang; Vice Governors Li Jiating, Niu Shaoyao, Wang Guangxian, Liu Jing, and Huang Bingsheng; Wu Guangfan, secretary general of the provincial government, and leaders of concerned commissions, offices, departments, and bureaus attended the meeting, which primarily discussed such issues as ensuring progress in the construction of key projects, rectifying financial order, deepening financial reform, keeping price increases under control, strengthening agricultural work, increasing exports to earn more foreign exchange, controlling the growth of group consumption funds, running the Kunming trade fair well, developing town and township enterprises better, and making preparations for annual sports games.

The meeting participants agreed: Inspired by Comrade Deng Xiaoping's important remarks and the spirit of the 14th CPC Congress, the enthusiasm of cadres and the masses throughout the province in seizing the opportunity and expediting development is running increasingly high, the economy continues to grow at a high speed, a bumper harvest of early spring crops has been reaped, steady growth in industrial output value has been achieved, benefits have been improved, brisk buying and selling is evident, the construction of infrastructure projects is proceeding smoothly, key construction projects are being reinforced, the economy is developing in a healthy way, and our province is opening wider to the outside world. However, with further development of the economy, some problems and conflicts also have arisen which are manifested largely in overheated investment, a tense financial situation, and higher inflationary pressure. Hence, it is very timely that the central authorities have adopted the policy decision on intensifying macroscopic regulation. Departments at all levels in our province must insist on its implementation.

When discussing the issue of heightening macroscopic regulation to control the scale of investment and ensure the running of key projects, Governor He Zhiqiang urged various localities throughout the province to fully clear up projects under construction and newly started projects strictly in accordance with the guideline recently laid down by the central authorities. With the exception of key provincial projects, in principle no new projects will be started this year. He said: We must eliminate a number of projects that are not in line with the state industrial policy, are unclear in marketability, and do not use funds in a concrete way so as to ensure the construction of 27 key projects. The goal is to ensure that by 1994, railways in eastern Yunnan will be linked into a network, the quality of highways will be upgraded, and communications will be modernized. We must ensure

that the quality of highways within 200 km of Kunming will be improved; that the construction of the three airports in Kunming, Baoshan, Zhaotong will be completed within this year; and that the Yunnan air traffic network will be completed within the Eighth Five-Year Plan. We must ensure that the (Dachao) Shan power plant project will be started this year, that vast numbers of railways will link up with Dali by 1995, that nine key projects of helping the poor in minority nationality areas will be started, that key projects will be transformed technologically so as to advance industrial equipment throughout the province to a new stage.

When discussing the issue of rectifying financial order and deepening financial reform, He Zhiqiang urged financial departments throughout the province to reach a common understanding, strengthen the administration, implement the guideline of the central authorities' financial work meeting, impose strict control on the quantity of currency issued, seize the opportunity to rectify financial order, and stabilize the financial situation. We must have good control over the outlay of enterprise and social funds, and government departments in various localities must take concerted action and be dedicated heart and soul to the same cause of creating a good external environment for rectifying financial order. In the latter half of this year, we must do a good job in purchasing agricultural sideline products, readjust the credit structure in accordance with the requirements of the central authorities, and continue to readjust the flow of capital in accordance with the state industrial policy so as to ensure the smooth running of agricultural and industrial production, as well as infrastructure construction. We must insist on and deepen reform and must support financial departments and encourage them to establish a financial market system in line with the socialist market economy. We must conscientiously accomplish the work of absorbing savings in the latter half of this year and increase the amount of savings.

He Zhiqiang asked that drastic measures be taken to reverse the situation of a decline in foreign trade and that efforts be made to open up the international cigarette and tea markets in line with Yunnan's actual circumstances. Regarding such special exports as jade and young pilose antler, measures must be taken to manage them. It is necessary to maintain the good trend of high speed growth in border trade and to do a lot of work in starting new industries for export and earning foreign exchange.

Governor He Zhiqiang also gave important instructions on agricultural work, commodity prices, the Kunming trade fair, the annual sports games, and other issues. Vice Governors Li Jiating, Niu Shaoyao, Wang Guangxian, Liu Jing, and Huang Bingsheng voiced their concrete views on the issues discussed.

North Region

Hebei's Cheng Weigao Attends Mayor's Conference

SK2107100593 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 20 Jul 93

[Text] The provincial working conference of mayors and commissioners on implementing the CPC Central Committee's major policy decisions on the economic work opened in Shijiazhuang on 20 July.

The conference was chaired by Cheng Weigao, secretary of the provincial party committee. Ye Liansong, Ning Quanfu, Guo Hongqi, Wang Youhui, Guo Shichang, and [name indistinct], leading comrades of the provincial party committee, the provincial people's congress standing committee, the provincial government, and the provincial committee of the Chinese People's Political Consultation Conference, attended the conference.

By studying and implementing the guidelines of the central authorities' major policy decisions in the previous stage, the participants maintained: The central authorities have analyzed the economic work in line with the principle of seeking truth from reality. A series of measures for strengthening the macroeconomic regulation and control, adopted by the central authorities to solve the existing problems, are completely and extremely accurate.

The participants said: The key to implementing the guidelines of the central authorities' major policy decisions hinges on seeking unity of thinking and upgrading the understanding. Leaders should observe and analyze problems in line with the overall situation, keep their action with the principle of making the short-term interests be submitted to the long-term interests and making the interests of the part be submitted to those of the whole, and properly ensure a rapid, steady, and sound development of the economy.

In line with reality, the participants also analyzed the local economic situation. They maintained: Strengthening the macroeconomic regulation and control will bring about a favorable opportunity to the local economic development. The priority at present is to consolidate the banking order. By so doing will we create a strain on capital. Through consolidation, we should [words indistinct], correct our mistakes, create a good environment for economic development, and withdraw the money lent in violation of regulations so as to use more money on the local key construction projects and to ensure a rapid and good development of the economy.

Hebei Reports Budgeted Revenues, Expenditures

SK2107100393 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 20 Jul 93

[Text] In the first half of 1993, the revenues of Hebei Province reached 5.232 billion yuan, accounting for 47.8 percent of the annual budgeted figure and showing an

increase of 11.2 percent or 586 million yuan over the corresponding period of 1992. Simultaneously, the expenditures of the province reached 4.3 billion yuan, accounting for 38.9 percent of the annual budgeted figure and showing an increase of 20 percent or 672 million yuan over the same period of last year.

Tianjin Secretary's Speech at CPPCC Session

SK2007140293 Tianjin TIANJIN RIBAO in Chinese 18 Jun 93 pp 1, 2

[Speech by Gao Dezhan, secretary of the municipal party committee, at the first session of the ninth municipal committee of Chinese People's Political Consultative Conference on 17 Jun]

[Text] Fellow members and fellow comrades:

Having satisfactorily completed the various predetermined tasks through your concerted efforts, the first session of the ninth municipal Chinese People's Political Consultative Conference [CPPCC] committee is about to conclude. He'd in a very good manner, the current session is a democratic, united, realistic, and inspiring session, is a session devoted to discussing the major policy of accelerating the development of Tianjin, and is a session devoted to carrying forward the cause pioneered by our predecessors and to forging ahead into the future. On behalf of the municipal party committee, I warmly congratulate on the success of this session!

The first session of the ninth municipal CPPCC committee has been convened under the new situation in which the people throughout the municipality are profoundly implementing the guidelines of the sixth municipal party congress and are comprehensively promoting reform, opening, and the socialist modernization. With Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and with the party's basic line as the common political foundation, the session has conscientiously implemented the guidelines of the 14th CPC National Congress, the first session of the Eighth National People's Congress [NPC], the first session of the Eighth National CPPCC Committee, and the sixth municipal CPC congress and has grasped the main refrain of seizing the opportunity to accelerate development from beginning to end. With great political enthusiasm and high degree of the sense of responsibility and sense of mission, CPPCC members have each spoken their opinions freely and offered many pertinent and sound ideas and suggestions around the issues of accelerating Tianjin's reform, opening, and modernization, strengthening the building of the socialist spiritual civilization and the building of democracy and the legal system, and creating a new situation in Tianjin's CPPCC work. From beginning to end, the session has been filled with a united and warm atmosphere and has fully manifested the intimate relations of showing utter devotion to each other and sharing honor or disgrace between the CPC and various democratic parties and nonparty democrats. The successful convocation of this session

will certainly produce a far-reaching influence and play an important role in further consolidating and developing Tianjin's patriotic united front, in uniting the forces in various fields, in mobilizing all positive factors, in seizing the opportunity to develop development, and in winning a new victory in Tianjin's socialist modernization.

During the past five years, the eighth municipal CPPCC committee has conscientiously implemented the party's basic line known as the "one central task and two basic points" and held high the banners of patriotism and socialism. In combination with the major matters of economic construction, reform, and opening, around the central work of the municipal party committee and the municipal government, and by depending on the efforts of various democratic parties, industrial and commercial federations, returned Overseas Chinese federations, Taiwan compatriots federations, nonparty figures, and the people of various nationalities on various circles, the eighth municipal CPPCC committee has conscientiously performed its functions of conducting political consultation and exercising democratic supervision, has positively participated in and discussed political affairs, has bravely offered opinions and advices, and has made great efforts to do many tangible things and work according to its capacity, thus achieving great results. The committee has also played an important role and made great contributions to promoting the municipality's economic development and social progress, in maintaining the municipality's political stability and unity, and in promoting the building of the socialist spiritual civilization and the building of democracy and the legal system. At the same time, the committee has strengthened the friendly ties with our compatriots in Taiwan, Hong Kong, and Macao, with economic ties as the focus, thus achieving marked results in accelerating Tianjin's pace of opening to the outside work and in promoting the peaceful reunification of the motherland. Here, on behalf of the municipal party committee and the municipal government, I want to express my heartfelt thanks to the municipal CPPCC committee, CPPCC committees of various districts and counties, various democratic parties, the people's groups concerned, and the figures of various nationalities on various circles and extend sincere respects to the members of the eighth municipal CPPCC committee who have left their posts due to age and job changes! Also, I want to express my cordial hope that the retired veteran CPPCC members will continue to suggest ways and make contributions for the prosperity and development of the municipality.

The CPPCC is the broadest possible organization of the patriotic united front of our country, is a major component part of the socialist political system with Chinese characteristics, and is an important organizational form to realize the basic political system of multiparty cooperation and political consultation led by the CPC. The CPPCC occupies a special position and plays an irreplaceable role in China's socialist revolution and socialist construction. Considering the perfection of the

system of multiparty cooperation and political consultation led by the CPC as one of the important contents of China's political structural reform, the 14th CPC National Congress has again stressed the necessity of consolidating and developing the patriotic united front during the new period and fully exploiting the role of the CPPCC in conducting political consultation and exercising democratic supervision. The Constitution revision motion adopted by the first session of the Eighth National People's Congress has written the "long-term existence and development of the system of multiparty cooperation and political consultation led by the CPC" into the cardinal law of the state. This shows that the system of multiparty cooperation and political consultation led by the CPC will be consolidated and developed further and will play an important role in the whole process of building socialism with Chinese characteristics. The Tianjin Municipal CPC Committee and party committees at all levels in the municipality should further enhance their understanding of the nature, position, and role of the CPPCC, should consciously persist in the system of multiparty cooperation and political consultation led by the CPC, and should persist in the principles of long-term coexistence and mutual supervision, showing utter devotion to each other, and sharing honor or disgrace. Party committees should be good at uniting all the forces that can be united and mobilizing all positive factors through the CPPCC's organizational form of multiparty cooperation and political consultation and should orient themselves to the fulfillment of the general target and task of the socialist modernization drive. Party committees should fully understand that the more the reform, opening up, and economic construction are deepened, the more it is required to strengthen unity, carry forward democracy, and improve the work of the united front and the CPPCC. Party committees should actually strengthen their leadership over the CPPCC work and list the CPPCC work as an important item on their daily agenda. Party committees should establish and perfect various systems concerning political consultation, should conduct consultation before making policy decisions in deciding major matters, and should adopt diverse forms to consciously subject themselves to the supervision by various democratic parties and nonparty figures. Based on the common political foundation, party committees should continuously consolidate and strengthen the unity between the CPC and various democratic parties and the figures on all circles through cooperation, working together, political consultation, and democratic supervision. Governments at all levels and departments concerned should be concerned with and support the CPPCC work, frequently report their situations to CPPCC organizations, sincerely listen to the opinions from various sides, conscientiously handle the motions, suggestions, the suggested motions of CPPCC organizations, actively do the coordination work, and create conditions for the CPPCC to play their role to the full.

The 1990's is a period critical to the development of Tianjin's modernization drive. The ninth municipal

CPPCC committee shoulders a glorious but arduous task, and the Tianjin Municipal CPC Committee and the people throughout the municipality place great expectations on the ninth municipal CPPCC committee. To further exploit the role of CPPCC organizations at various levels and to push the CPPCC work to a new stage, I want to raise the following three expectations and discuss them with you.

1. The CPPCC should make contributions to accelerating the development of Tianjin.

The sixth municipal party congress held not long ago defined the basic idea of accelerating development in the foreseeable future and the major tasks on reform and construction. The congress also mapped out the magnificent blueprint of revitalizing Tianjin and making Tianjin prosperous. This blueprint is to, proceeding from the reality of Tianjin, take advantage of the fine work foundation and the great development potential and to seize the opportunity to deepen reform, expand the scale of opening, accelerate development, and make the municipality's national economy again step up two stages. In the first step, as of 1997, the target of quadrupling the 1980's gross national product [GNP] should be attained ahead of schedule; and in the second step, as of 2010, the 2000's GNP should be doubled in order to make the per capita GNP attain or approach the level attained by the medium developed countries, to basically achieve the modernization, and to build Tianjin into the commercial, trade, and banking center of northern China, into a technologically advanced general industrial base, and into a modernized international large port city opened to all directions. In line with the guidelines of the sixth municipal party congress, the recent first session of the 12th municipal people's congress studied and defined the work tasks, plans, arrangements, policies, and measures for the economic and social development in the next five years. At present, the ninth municipal CPPCC committee should further mobilize the people of all nationalities in the municipality and all professions and trades to truly plunge into work with one heart and one mind and should strive to attain the magnificent goal of accelerating the development of Tianjin with arduous struggle and creative labor. Receiving instructions at such a critical moment, the ninth municipal CPPCC committee faces a glorious but arduous task. During the next five years, the ninth municipal CPPCC committee should, guided by the guidelines of the 14th CPC National Congress and by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, conscientiously implement the guidelines of the sixth municipal party congress and the first session of the 12th municipal people's congress, should successfully carry out the various tasks raised by the first session of the ninth municipal CPPCC committee, and should, in particular, regard the acceleration of Tianjin's reform, opening, and modernization as the emphasis of the CPPCC work. The ninth municipal CPPCC committee should continue to hold high the banners of patriotism and socialism, strengthen the

contacts with various fields, and form the broadest possible patriotic united front. The committee should continue to exploit CPPCC organizations' advantages of having connections with various circles of society and having a large number of high-level talents to offer advises and measures for further perfecting the general plan for Tianjin's development and to make policy decisions for the major matters, such as economic development, social development, reform, and opening. The committee should continue to give play to its role as the "knowledge tank" and utilize its general functions to raise ideas, think of ways, do more work, and make more contributions to carrying out the strategy of accelerating development, to readjusting product and industrial structures, to promoting scientific and technological progress and technological transformation, to accelerating the development of agriculture and the simultaneous development of urban and rural areas, to developing education, improving enterprises' quality, and to improving economic efficiency, that are the major matters having a bearing on Tianjin's economic construction. In the process of positively promoting the great cause of reunifying the motherland, the committee should continue to utilize the advantage that CPPCC members have wide connections with overseas personnel to expand the contacts with abroad, to absorb foreign investment for Tianjin, to open the municipality to all sides of the world, and to serve the revitalization and prosperity of Tianjin.

2. The CPPCC should pay attention to political consultation and democratic supervision.

Political consultation and democratic supervision are major functions of the CPPCC. In performing the functions of political consultation and democratic supervision, CPPCC organizations have their distinctive advantages. Just like Comrade Li Ruihuan pointed out at the Second Standing Committee meeting of the Eighth National CPPCC Committee: "First, CPPCC organizations have a galaxy of talent and rich intellectual resources, thus being able to do profound research for macroeconomic, major, and deep-rooted questions. Second, CPPCC organizations have a strong nature of representativeness and have a vast amount of information, thus being able to reflect the opinions, aspirations, and demands of the masses in various fields. Third, CPPCC organizations are transregional and have a broad vision of field, thus being able to set forth opinions and proposals in a relatively objective manner. Fourth, CPPCC organizations have connections with various circles and have contacts with the central authorities, thus being able to play the role of the major channel of democracy." Therefore, CPPCC committees at all levels in the municipality should fully exploit their advantages, carry forward the socialist democracy, reflect the opinions and demands of various fields in society, open unimpeded channels for various democratic parties, people's groups, nonparty figures, and the personages of all nationalities on all circles to participate in and discuss political affairs, and pool the wisdom of the masses to

promote the scientific and democratic policymaking of the municipality. At the same time, CPPCC organizations should assist and promote all levels of party and government organs to improve their work, to improve their efficiency, to overcome bureaucratism, to oppose corruption, and to supervise the implementation of the Constitution, laws, principles, and policies of the state. For a long period of time, the municipal CPPCC committee has paid attention to exploiting the role of various democratic parties, the related people's groups, and the figures on various circles, and made a great deal of work and accumulated some experiences in promoting the regularization and systemization of political consultation and democratic supervision. These experiences and consultative forms should be upheld continuously in future and be perfected constantly in practice in order to create a democratic and harmonized environment, offer good advises for consultation and discussion, and improve the level of participation in and discussion of political affairs. Over the past few years, we have persisted in the principle of "conducting consultation before making policy decisions." This has encouraged the free airing of views, enabled us to commit fewer mistakes, and achieved common understanding of major issues inside and outside the party. In the future work, the municipal party committee, the municipal government, and the municipal CPPCC committee should make concerted efforts to bring political consultation and democratic supervision into line with the procedures of policymaking and should formulate some necessary work systems to guarantee political consultation and democratic supervision.

3. The CPPCC should strengthen the construction of itself.

The new term of the municipal CPPCC committee consists of relatively more new leading personnel, new members, and new in-service members. Moreover, under the new situation of developing the socialist market economy, the new term of the municipal CPPCC committee is confronted with many new circumstances. Therefore, the new term of the municipal CPPCC committee should strive to strengthen the construction of itself, improve the overall quality, keep abreast of new situation as quickly as possible, perform the functions of political consultation and democratic supervision even better, and exploit the role of CPPCC members in diverse fields. First, the committee should strengthen study. It should continuously and profoundly study the guidelines of the 14th CPC National Congress and Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, obtain a clear understanding of the current situation, seek unity of thought, enhance the sense of responsibility and the sense of mission, and reinforce the confidence and determination to achieve success in the CPPCC work. It should study the theory and knowledge with regard to the united front work in a planned and systematic manner and enable new members to be better familiar with and understand the CPPCC and fully display their role. Second, the

committee should strengthen investigation and study. Investigation and study is the foundation for doing the CPPCC work well. In the light of new circumstances and new problems emerging in reform, opening, and modernization, proceeding from reality, the committee should select good subjects and conduct in-depth investigation and study for these subjects in a well-organized manner with a view to achieving more and good results. In particular, the ninth municipal CPPCC committee has added the members on economic circles and from Hong Kong and Macao, and that it should give full play to the role of these members. Third, the committee should strengthen and improve the work of CPPCC organizations. CPPCC organizations shoulder the tasks of organization, liaison, and coordination. Only when the professional quality, policy understanding, and working ability of the working personnel of CPPCC organizations are improved will it be possible to strengthen the general service function of CPPCC organizations and to bring into better play the role CPPCC members. We hope that the new terms of CPPCC organizations will continue to carry forward the fine tradition and work style of "political consultation, democratic supervision, cooperation, extensively making friends, and self-education" and will conduct work with a new attitude and a new style.

Fellow members and fellow comrades, the tasks and goals defined by the sixth municipal party committee and the first session of the 12th municipal People's Congress have concentratively reflected the strong aspiration of the people throughout the municipality and the figures on various circles, that is to accelerate development. Looking into the future, Tianjin has bright prospects. In the process of fulfilling Tianjin's magnificent goal of modernization, there is plenty of scope for the CPPCC to develop its ability. We believe that all members of the ninth municipal CPPCC committee will certainly shoulder this heavy task of historical significance. Let us hold high the great banners of patriotism and socialism under the leadership of the CPC Central Committee with Comrade Jiang Zemin as the nucleus, carry on and forward the fine tradition of the CPPCC, give full play to the important role of CPPCC organizations at all levels, further consolidate and develop the patriotic united front, and mobilize the people throughout the municipality and the figures of all nationalities on all circles to emancipate the mind, enhance spirit, seize the opportunity, accelerate development, and work hard to win an even greater victory in Tianjin's modernization drive!

Northeast Region

Reportage on Heilongjiang Secretary's Activities

Addresses United Front Work

SK2007093193 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 19 Jul 93

[Text] The provincial party committee held a standing committee meeting recently to listen to the work reports

of the provincial committee of Chinese People's Political Consultative Conference [CPPCC] and the united front work department of the provincial party committee and to study and discuss how to further implement across the province the system of multiparty cooperation, political consultation, and democratic supervision led by the CPC. The meeting set new demands on the CPPCC work and the united front work.

The meeting participants maintained: Under the new situation that reform, opening, and economic construction are developing profoundly, it is of extremely great significance to strengthen the CPPCC work and the united front work. Party committees at all levels should approach the work from the high plane of strategy and overall situation, and actually strengthen leadership over the united front work and the CPPCC work. Before this, the provincial party committee had specially issued a circular to call on party committees at all levels to conduct an overall inspection and summarization of the implementation over the past few years of the system on multiparty cooperation and political consultation led by the CPC. The provincial party committee had also dispatched four work teams to conduct inspections all over the province.

The meeting participants maintained: The province has achieved marked results and accumulated some experiences in implementing the system of multiparty cooperation and political consultation led by the CPC. Party committees at all levels have paid high attention to the CPPCC and united front work. The work of CPPCC organizations and democratic parties has been relatively brisk. [words indistinct] Gratifying results have been achieved in multiparty cooperation, thus making great contributions to safeguarding stability and unity and strengthening political construction, and playing a positive role in promoting reform, opening, and economic construction.

Sun Weiben, secretary of the provincial party committee, made a speech at the meeting. He stressed: The work of CPPCC organizations and democratic parties should be carried out closely around the center of economic construction. We should cherish and perfect the system on political consultation and democratic supervision to promote the province's democratic politics. We should further promote the implementation of various related policies, strive to do the nationalities work well, mobilize the initiative of the figures on all circles, and make new contributions to pushing the province's economy to a new stage.

The meeting participants defined: The provincial party committee plans to hold a CPPCC work conference next year. From now on, the provincial party committee will hold meeting twice every year to report situation to personages of democratic parties and nonparty figures and to hear their opinions and suggestions on the work of the provincial party committee.

Discusses Enterprise Renovation

SK2107101193 Harbin Heilongjiang People's Radio
Network in Mandarin 2200 GMT 20 Jul 93

[Text] A number of large state-owned enterprises in the province have used the funds, technology, equipment, banking mechanism, and [words indistinct] of foreign firms to commonly renovate old enterprises and products through the forms of joining funds and cooperation, thus inventing a way of renovation that uses less investment but yields quicker results.

Provincial leaders, responsible persons of the pertinent departments directly under the provincial authorities, and leaders of 14 large enterprises, who were attending the forum on grafting and renovation of large state-owned enterprises held in Harbin on 20 July, reached a common understanding for successfully invigorating all large and medium-sized enterprises in the province by accelerating the pace of this reform measure.

Sun Weiben, secretary of the provincial party committee, presided over the forum and made an important speech. Attending the forum were leaders of the province and Harbin city, including Tian Fengshan, Chen Yunlin, Wang Xianmin, (Fang Chengyu), and Suo Changyou. This forum was held by the provincial party committee for the purpose of implementing the guidelines of the central authorities, depending on in-depth reform and expanded opening to solve fund shortages, and promoting the implementation of the policy decision on the province's 12 major matters, including the Chinese-foreign joint ventures, grafting and renovation of 100 old enterprises by the end of this year, and combination of the property right renovation with the technological transformation.

Sun Weiben said in his speech: The grafting and renovation of large and medium-sized enterprises is not only extremely [words indistinct] but also is a rare opportunity. The new problems emerging in grafting and renovation should be solved according to the principles of solving special problems in a special way and solving new problems in a new way. We should break with the single state ownership and boldly establish a mixed ownership.

Sun Weiben stressed: The mixed ownership of purchase of shares by foreign investors, purchase of shares by public legal persons, and purchase of shares by individuals, that has been carried out by the grafted and renovated enterprises, is a new form of ownership suitable for the demand of the market economic development, and thus should be experimented with boldly. The province and Harbin city should explore new work systems, draw up new work procedures, and set up a section to make overall planning for the grafted enterprises. Governments at all levels should make meticulous organization for the grafting and renovation and [words indistinct]. Financial departments at all levels should greatly support the grafting and renovation of enterprises and [words indistinct].

Heilongjiang's Qiqihar To Upgrade Airport

*SK2107102693 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 20 Jul 93*

[Text] A few days ago, the State Council has formally approved Qiqihar city's plan to build its present civil airport into a first- category airport. When the first-category airport is built, a customs station, border examination station, sanitation examination station, commodity inspection station, and animal and plant quarantine station will be set up in Qiqihar city. Thus far, the Qiqihar Civil Airport has already opened the domestic air routes to Beijing, Shanghai, Guangzhou, Tanggu, Dalian, Shenyang, Changchun, and Heihe. This civil airport plans to open the routes to Xiamen, Guilin, and Qingdao. After being built into the first-category

airport, it will also open the international routes to Ulan Ude, Chita, and Irkutsk in Russia.

Heilongjiang City Allowed To Manage Trade

*SK2107103193 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 20 Jul 93*

[Text] With the approval of the Ministry of Foreign Trade and Economic Cooperation, Ningan city has been granted the right to manage import and export since early July. It is the only county- level city of the province that has been authorized to manage import and export. From then, Ningan city has put an end to the history of import and export on a commission basis. This will play a great role in further expanding the foreign economic relations and trade of Ningan city and in promoting the development of economic and technological cooperation.

Island Legal Consultancy Center Opens in Beijing
OW2007140293 Beijing XINHUA in English 1343
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—The Taiwan Affairs Legal Consultancy Center has opened for business here, under the auspices of the Association for Relations Across the Taiwan Straits (ARATS).

The center will provide legal services for residents, mass organizations, businesses and other organizations in order to promote economic, trade, scientific, cultural and personnel exchanges across the Taiwan Straits.

The center will also accept cases from Taiwan compatriots and relatives of Taiwan residents on matters related to legal inheritance and pension drawing.

The office will help Taiwan business people handle legal affairs in making investments, opening businesses, and producing and marketing goods on the mainland. Businesses run by Taiwan investors and Taiwan residents can hire the center's staff as legal advisors.

Legal affairs related to the visiting of relatives, tours, trade, culture and other exchange activities will likewise be handled by the new center.

Moreover, it will provide legal advice, produce legal statements and write legal documents for clients.

It is currently handling a number of cases involving disputes in inheritance, real estate ownership and trade.

It plans to establish business relations with service agencies handling Taiwan-related legal affairs in other cities on the mainland. It also intends to establish formal relations with its counterpart in Taiwan.

ARATS Executive Vice-Chairman Tang Shubei serves as the honorary director of the center, and Yuan Xiaofan, an ARATS commissioner, as the director.

Yuan has pledged to provide high-quality services to clients for the benefit of residents across the Taiwan Straits.

Delegation Welcome To Visit Jiangsu, Zhejiang
OW2007131293 Beijing XINHUA in English 1256
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—The Chinese mainland-based Association for Relations Across the Taiwan Straits (ARATS) today sent a reply letter to the Taiwan-based Straits Exchange Foundation (SEF), welcoming a Taiwan delegation to inspect Jiangsu and Zhejiang Provinces on the eastern mainland.

"Your esteemed foundation is welcome to form a delegation to inspect the investment environment in the two provinces," the letter said, "but the time and arrangements for the inspection need to be consulted on."

The letter also expressed the hope that such inspections may contribute to economic exchange and cooperation across the Taiwan Straits.

SEF has organized delegations three times before to inspect the investment environment in mainland's southeastern coastal areas, Pearl River delta and Yangtze River delta, which are economically developed areas on the mainland.

Early this month SEF sent a letter to ARATS, saying that it is planning to organize a delegation to inspect Jiangsu and Zhejiang.

Mainland Seeks Reciprocal Trip

OW2007134893 Beijing XINHUA in English 1331
GMT 20 Jul 93

[Text] Beijing, July 20 (XINHUA)—The Association for Relations Across the Taiwan Straits (ARATS) of the Chinese Mainland hopes that Taiwan's Straits Exchange Foundation (SEF) will help make it possible for mainland economic and trade personages to visit Taiwan at an early date.

ARATS expressed this today in a letter to SEF concerning a mainland industrial and business group to be organized to visit Taiwan.

Regarding this, the mainland association has "written three formal letters" to the Taiwan foundation but has "received no reply yet," said ARATS in the letter.

ARATS also wrote that the association consistently holds that economic exchanges and cooperation be strengthened across the Taiwan Straits. For that purpose, ARATS is enthusiastic about organizing a visit and investigation in Taiwan for mainland economic and trade figures.

In closing, the letter reiterated the hope that SEF would reply as soon as possible.

Hainan Governor Discusses Taiwan Air Link

HK2107084693 Haikou Hainan People's Radio
Network in Mandarin 2300 GMT 16 Jul 93

[Text] Recently, Hainan Governor Ruan Chongwu made a statement to the press on direct air traffic between the two sides of the Taiwan Strait. He pointed out: The Wang-Ku meeting held not long ago signaled a historic step in the development of the cross-strait relations and was a positive effort toward cross-strait exchanges in economy, science and technology, and culture and education. With cross-strait relations expanding, direct air traffic has become a realistic matter that deserves immediate attention. Since Hainan became a province, its exchange and contacts with Taiwan have been expanding steadily and the number of Taiwan compatriots investing in enterprises in Hainan is rising rapidly. Last year, 20,000 Taiwan compatriots crossed Hainan's border.

As Hainan advances in its development and construction, the number of Taiwan compatriots investing, visiting relatives, and touring in Hainan will rise steadily. Changing planes in Hong Kong is both time-consuming and expensive, causing much inconvenience to Taiwan compatriots. Direct air traffic is a realistic matter that is beneficial to both sides, and it should be encouraged. The tourist and airline companies concerned in Hainan have made sufficient preparations for it. Taiwan also has non-governmental airlines and tourist companies. The cooperation between nongovernmental companies on the two sides in tourism and air traffic is easily operational.

Hainan so far is the mainland's only province with a shore pass system. Taiwan compatriots may obtain at Haikou Airport a single-entry pass for Taiwan residents visiting the mainland, valid for three months, provided they have a Taiwan ID card, an entry-exit certificate for Taiwan, and two photos. At the end of three months, if necessary, they may have their stay extended. After passing through Shenzhen, Taiwan compatriots may leave the mainland via Hainan or other ports. This makes it much more convenient for Taiwan compatriots traveling between the two places.

Currently, some large-scale airport projects are under way in Hainan. Sanya Airport will be an international airport capable of handling jumbo passenger planes, such as the Boeing 747. It will open on 1 July next year. Preparations for the construction of Haikou's new airport are being stepped up. Hainan is equipped with good air traffic facilities. Before regular direct flights can be opened within a short time, arrangements can be made for two planes to connect in Hong Kong so that a passenger can reach his destination on a single ticket. Afterward, charter flights can be opened.

We hope the Taiwan authorities will consider the interests of the public on both sides and offer convenience to the cooperation between Taiwan and Hainan in tourism and air traffic. We welcome Taiwan tourist and airline companies to approach Hainan so that the cross-strait cooperation in tourism and air traffic can be started at an early date.

Taiwan Increases Investment in Shanghai

OW2107030593 Beijing XINHUA in English 1530
GMT 20 Jul 93

[Text] Shanghai, July 20 (XINHUA)—Over the first half of the year, Shanghai approved the establishment of 385 enterprises with investment from Taiwan, 3.4 times the figure during the same period last year.

These enterprises involve a total investment of 840 million U.S. dollars.

This was announced here today by a municipal government official in charge of investment from Taiwan.

The official said that compared with last year, more big financial institutions and large enterprises from Taiwan

are investing in large-scale projects in Shanghai this year, with 176 projects involving investments at least one million U.S. dollars.

Financial institutions from both sides have begun efforts to set up investment companies in Hong Kong, the official said.

Shanghai, Taiwan Cultural Exchanges Increase

OW2107030793 Beijing XINHUA in English 0104
GMT 21 Jul 93

[Text] Shanghai, July 21 (XINHUA)—The cultural sphere took center stage in exchanges and cooperation between Shanghai and Taiwan in the first six months this year.

Incomplete statistics show that, from January to June, altogether 120 cultural exchange events were held between the two places, an increase of 30 percent over the same period last year.

From Shanghai, 96 representatives of the cultural circle visited Taiwan. Leading Chinese composer Zhu Jianer and famous opera critic Yu Qiuyu joined the stream of visitors. In April and May, the Shanghai Song and Dance Troupe toured extensively on the island, to popular acclaim.

Early this year the Shanghai Television press group conducted interviews in Taiwan, paving the way for two-way traffic between the two places in this field. Later chief editors and journalists of Shanghai-based newspapers followed the trend. Meanwhile, Taiwan sent a press group consisting of 99 members to the first East Asian games held in Shanghai this May.

The two places are not content with mere cultural shuttle diplomacy either, but have made a stride towards cooperative efforts such as joint production of programs.

A co-sponsored symposium on film fielded directors from the mainland, Taiwan and Hong Kong at the beginning of this year, and another one on economic policy decisions attracted social science researchers from across the Taiwan Strait.

Furthermore, programs made by the Shanghai Television Station and its Taiwan counterpart were aired in the two places during the spring festival. At present, the first joint TV series is under production.

Daily Reports Increased Taiwan-ROK Trade

HK2107091093 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0818 GMT 20 Jul 93

[Text] Hong Kong, 20 Jul (ZHONGGUO TONGXUN SHE)—According to a report from Taipei, a South Korean English newspaper, KOREA VANGUARD DAILY, disclosed a few days ago that although the number of ROK tourists visiting Taiwan has dropped sharply since Taiwan and ROK severed diplomatic relations, the trade volume between the two places has increased. In the first four months of this year, goods exported by South Korea to Taiwan amounted to \$761 million, 11.7 percent over that of a year ago. The volume of import from Taiwan was \$474 million, 13.4 percent over that of the same period last year.

Li Teng-hui Supports U.S. APEC Summit Plan*OW2107031993 Taipei CNA in English 1454 GMT
20 Jul 93*

[Text] Taipei, July 20 (CNA)—President Li Teng-hui is in favor of holding an Asia Pacific economic cooperation (APEC) summit, presidential spokesman Raymond Tai said Tuesday [20 July].

President Li believes, however, that all APEC members should be allowed to take part in the summit on equal footing. Tai said while briefing the press at the Presidential Office.

US President Bill Clinton, in a speech made on July 7 in Tokyo, made public his proposal for convening an APEC summit in Seattle in November to discuss trade problems in the region. But APEC members are still divided on whether there is a need for the summit.

APEC groups 15 countries and areas in the Pacific rim.

President Li has said that, according to Tai, APEC is an economic rather than a political organization and it would be a loss for both the summit itself and APEC members if the ROC [Republic of China] were absent from the meeting.

The president believes that in the post cold war period, world nations should strengthen cooperation to promote political and economic development as a whole.

Official: U.S. 'Pleased' With IPR Effort*OW2107084893 Taipei CNA in English 0807 GMT
21 Jul 93*

[Text] Taipei, July 21 (CNA)—The United States is pleased with the efforts made by the Republic of China [ROC] to protect intellectual property rights [IPR], an official returning from talks in the U.S. said Tuesday [20 July].

Huang Yen-chao, director-general of the Board of Foreign Trade, made the remark at CKS International Airport after returning from five days of IPR discussions in Washington, D.C.

Huang, however, did not say whether the U.S. would remove the ROC from its "priority watch list" targeted for trade sanctions under the Super 301 Provision of the U.S. [1988] Omnibus Trade Act.

Huang said although the U.S. was disappointed by the ROC legislature's failure to pass patent and trademark laws, his delegation satisfied the U.S. with their explanation of why the bills did not get passed.

Huang added the ROC Government has agreed to implement measures to prevent the export of counterfeit products to the U.S. by November.

Patent Law Amended Under U.S. 'Pressure'*OW2107035793 Taipei CHUNG KUO SHIH PAO in
Chinese 13 Jul 93 p 1*

[By reporter Yin Nai-ching (1438 0035 5464) in Taipei]

[Excerpts] The Economic and Judicial Affairs Committee of the Legislative Yuan yesterday approved a draft amendment to the Patent Law in its initial examination. It has made substantial changes in the current patent system by introducing new regulations governing priorities, durations of patent rights for pharmaceuticals and pesticides and their formulas, and relaxing restrictions on patents for new microbes. Regarding the penalty for patent violators, the draft amendment has replaced the confinement penalty with monetary fines. The amendment will ensure high technology industries' survival in Taiwan and make them more competitive.

The Patent Law is substantially amended mainly because of pressure created by the U.S. Trade Law's Section 301 as well as Taiwan's expectation to join the GATT. As a result, the law is amended in such a way that it conforms to U.S. demands and the GATT protocol regarding intellectual property rights. [passage omitted]

During the discussion of articles on liberalizing patents for new microbes and extending patent rights for pharmaceuticals and pesticides and their formulas, many manufacturers in the observers' seats passed their views on to the lawmakers from time to time because the debate had a close bearing on their patents' durations and their production costs. [passage omitted]

Following the debate, the lawmakers adopted legislator Su Huan-chi's compromise plan to add to the Patent Law a "clause about interim measures and exceptions" which specifies explicitly that new microbes may be patented and that this law will come into force after Taiwan becomes a GATT member and after the GATT's trade-related protocol on intellectual property rights becomes effective for one year, but that this clause is not applicable to countries with reciprocal agreements on protecting new microbes with Taiwan—with the exception of the United States. In other word, patents will be granted to new microbes of the United States to alleviate U.S. pressure.

The amendment also extends the durations of patents.

Western Samoa Seeks Taipei Investment, Tourists*OW2107100193 Taipei CNA in English 0758 GMT
21 Jul 93*

[Text] Taipei, July 21 (CNA)—Western Samoa, a Pacific island nation near Tonga, is offering 30-day visa-free privileges to Republic of China [ROC] nationals, hoping to attract more tourists and investors from Taiwan, the Ministry of Foreign Affairs said Wednesday [21 July].

Although the ROC and Western Samoa do not maintain diplomatic relations, the South Pacific nation is actively seeking to strengthen ties with Taiwan, a ministry official said.

Western Samoa became independent in 1962. It is a nation comprised of nine islands occupying about 2,830 square kilometers of land with a population of 165,000.

Per capita income in Western Samoa averages US\$730. There are about 1,000 Overseas Chinese living on the islands, the official said.

Island Repatriates 314 Stowaways to Mainland

*OW2107031293 Taipei CNA in English 1442 GMT
20 Jul 93*

[Text] Matsu, July 20 (CNA)—Another batch of illegal immigrants were returned to the China Mainland from the offshore island of Matsu Tuesday [20 July] morning.

Altogether 314 mainland stowaways, including a four month-old baby, were repatriated in the presence of Red Cross Society members from both sides of the Taiwan Strait as well as 70 reporters from Taiwan and abroad.

Yeh Chin-feng, vice chairwoman of the Mainland Affairs Council, asked the Chinese Communist authorities to work out effective ways of curbing illegal immigration from the mainland.

"Illegal immigration has not only become a cross-strait issue but also an international one," Yeh warned.

It was the sixth group of mainland stowaways returned from Matsu since June 24. Currently 188 stowaways are awaiting repatriation on Matsu, only miles away from the southeastern mainland province of Fujian.

The Red Cross Society of the Taiwan and mainland chapters forged an agreement two years ago, under which

mainland stowaways have been returned from the offshore islands of Matsu and Kinmen [Quemoy].

As of June 30, police have seized 24,160 illegal mainland immigrants and returned 22,312 since Feb. 20, 1990.

Yeh added that the amount of mainland stowaways entering Taiwan in search of jobs poses a great threat to the peace and stability of the island.

Test Plane Flies Along Mainland Coast

*OW2107030893 Taipei CNA in English 1434 GMT
20 Jul 93*

[Text] Taipei, July 20 (CNA)—A Taiwan plane flew along the coast of Mainland China Tuesday [20 July] to test a new air traffic control device recently installed on the offshore island of Kinmen [Quemoy].

The Civil Aeronautics Administration (CAA) test plane B-135 took off from Taipei's Sungshan Airport at 3:00 p.m. to test the localizer-type direction aid (LDA) installed at Kinmen's Shangyi Airport, a CAA spokesman said.

The plane flew over the mid-point of the 100-mile Taiwan Strait separating Taiwan and Fujian Province, to which Kinmen belongs.

The B-135-type test plane, with a five-man crew on board, returned to Sungshan Airport after completing its test mission.

It was the first time a CAA test plane has flown over the mid-point of the Taiwan Strait into the Shanghai Flight Information Region since 1949 when the Chinese Communists took control of the mainland.

CAA informed mainland authorities of its test plan through the semi-official Straits Exchange Foundation (SEF) earlier this month and obtained their approval.

LDA provides altitude data for aircraft and can help planes more accurately take off and land when visibility is poor, CAA officials said.

Hong Kong**Paper Reports on 8th Round of PRC-UK Talks***HK2107054093 Hong Kong HSIN PAO in Chinese
21 Jul 93 p 5*

[Report: "China Wants To First Solve the Issue of Functional Constituencies and Election Committee and Then Discuss the Complicated Through Train Issue"]

[Text] The eighth round of Sino-British talks on the constitutional system began substantive discussion on such issues as the through train, functional constituency elections, and the Election Committee yesterday. Our reporter was told that the Chinese side explained its basic stance on the through train issue during the talk, but the two sides have not yet started bargaining on the specific objective criteria of the through train, and the Chinese side wants the arrangements for functional constituencies and the Election Committee to be made first.

The Chinese sources indicated to our reporter that in this round, the Chinese side will reiterate Beijing's basic stance on the through train issue. It agrees to consider setting objective criteria for the through train issue, but insists that Legislative Council [Legco] members elected in 1995 must be subjected to acknowledgement by the Special Administrative Region [SAR] Preparatory Committee, to be founded in 1996. Also, the Chinese side refuses to accept the British proposal that Legco members may get on the through train after pledging allegiance to the SAR Government and support for the Basic Law.

The Chinese sources disclosed that this round of talks has been the first discussion between China and the UK on the through train issue. Because of the considerable difference between them, setting objective criteria for the through train acceptable to both sides during this round of talks is believed to be unlikely. The sources said: Because the through train issue involves rather complicated technical and statutory procedures, the two sides need quite a long time to consult each other. The Chinese side wants to solve the issues related to functional constituency elections and the Election Committee before moving on to the through train issue.

But sources close to the British side said yesterday evening that if the two sides fail to reach an understanding on the objective criteria of the through train, it would be very hard for the talks to make progress. If the through train issue cannot be solved, the candidates entering the 1995 elections would not be able to know for sure whether or not they could stay in office till 1999. In that case, there would not be much point in discussing election arrangements between the two sides.

The sources went on to say that the British side can accept that the SAR Preparatory Committee holds the right of "conductor" on the through train, but this "conductorship" must be executed by objective, fair,

and reasonable criteria. The British side demands that these objective criteria be published before the 1995 elections.

It has been learned that the Chinese side maintains a certain degree of flexibility regarding the nine additional functional constituencies and the composition of the Election Committee. The Chinese sources disclosed that the Chinese side welcomes the British side to set forth concrete suggestions on the nine additional functional constituencies that are different from those in Hong Kong Governor Chris Patten's package. The Chinese side holds that as long as the additional functional constituencies are delineated according to professions, it is negotiable as to which professions should be included in the nine additional constituencies.

The sources also pointed out: The Chinese side is also willing to consider a flexible attitude to the composition of the Election Committee. As long as the British side observes the Basic Law provision that the Election Committee shall be composed of four categories of members, the Chinese side is willing to accept that the representatives in a couple of professions be elected by one man, one vote.

However, the sources said that because the Basic Law has unequivocally provided that the composition of the Election Committee shall include "deputies to the National People's Congress [NPC] and members of the National Committee of the Chinese People's Political Consultative Conference [CPPCC] in the Hong Kong region," the Chinese side thinks that the current 28 NPC deputies in Hong Kong will be natural members of the Election Committee and that the CPPCC National Committee members in Hong Kong will elect representatives to the Election Committee by way of democratic consultation. The Chinese side believes that democratic consultation already contains an element of election.

McLaren on Talks' 'New Phase'*HK2007134293 Hong Kong Asia Television Limited in
English 1200 GMT 20 Jul 93*

[From the "Main News" program]

[Text] Britain says negotiations with China over Hong Kong's political future have entered a new phase. As Morland Sanders reports from Beijing, both sides claim the recent meeting between the two foreign ministers has provided the talks with fresh impetus:

[Begin recording] [Sanders] It was Sino-British smiles and handshakes for the eighth time at the Beijing state guest house this morning. But the niceties seem to be based on something more substantial than simply bilateral public relations. Speaking after the session, the British ambassador claimed negotiations had entered a new phase and been given fresh impetus.

[McLaren] I mean simply because it is a phase following a meeting between the two foreign ministers, during

which they reviewed the progress in the talks so far and set down some very useful guidelines for us and for our work. That's what I mean by saying a new phase.

[Unidentified reporter] [Words indistinct] concentrate on those guidelines?

[McLaren] We are concentrating on substantive issues.

[Sanders] But Sir Robin wouldn't say whether both sides have speeded up progress. Before the meeting, the Chinese chief negotiator [Jiang Enzhu] agreed with Sir Robin that the Hurd-Qian session should increase the pace of issue-solving. However, he sidestepped a question on whether the three focus areas Douglas Hurd had asked for—the through-train, election committee, and functional constituencies—could be concentrated on.

[Jiang Enzhu in Mandarin] The theme for the current talks is problems with Hong Kong 1994-95 electoral arrangements. In our discussion we will try to dwell more on things related to this theme.

[Sanders] The first day of round eight in Beijing can only really be regarded as slightly positive. Officials are still keeping quiet on the details of the negotiations, but it's clear the meeting between the foreign ministers has had a positive impact. Morland Sanders, ATV News, Beijing. [end recording]

A senior Chinese official says arrangements for the Election Committee and the Functional Constituencies are not difficult to resolve. The deputy director of the NEW CHINA NEWS AGENCY [XINHUA], Zhu Yucheng, says the two issues have already been discussed in letters of exchange by the two foreign ministers. He said the principles have already been laid down, and it shouldn't be difficult to work out the details. But, he says, the through-train issue is better left to the Preparatory Committee to be set up in 1996, adding it's better to focus the negotiations on the 1994-95 electoral arrangements.

It's the first time a Chinese official has spoken positively in public about resolving the matters relating to the functional constituencies and the election committee. The British Foreign Minister, Douglas Hurd, had earlier said more progress is needed on the two issues.

'Common Ground' Noted

HK2107065093 Hong Kong AFP in English 0644 GMT
21 Jul 93

[Text] Beijing, July 21 (AFP)—China and Britain continued talks here on Wednesday [21 July] on the expansion of democracy in Hong Kong, with British Ambassador Robin McLaren saying he believed there was now "common ground" on the essential points.

"Both sides have their own approach to the talks but in practice I think there is common ground on where the

essential points are," Britain's chief negotiator told reporters after the second day of the eighth round of talks since April.

This is the first round since Foreign Secretary Douglas Hurd visited Beijing earlier this month to stress to his Chinese counterpart Qian Qichen the "essentials" from Britain's point of view.

McLaren, who said on Tuesday that Hurd's visit had given the negotiations "new impetus," tried on Wednesday to dampen expectations of any dramatic breakthroughs following the foreign ministers' agreement to push the talks faster. "I don't think individual meetings are particularly accelerated. What we are talking about is the general pace of our work," he said.

McLaren said he expected to return to London after this round of talks ended on Thursday. He did not disclose the purpose of his visit, but said he would not attend a meeting between Hong Kong Governor Chris Patten and Hurd scheduled for July 29.

The Sino-British talks are aimed at reaching a consensus over Patten's proposals to broaden the franchise in 1994 and 1995 elections in Hong Kong, the last before the British colony reverts to China in 1997. Beijing has threatened to replace the Hong Kong government and the legislature in 1997 should the proposals be adopted.

XINHUA Official Discusses PRC-UK Talks

HK2107085693 Hong Kong TA KUNG PAO in Chinese
21 Jul 93 p 2

[Report: "Zhu Yucheng Points Out: The Chinese Side Hopes That an Agreement Will Be Reached and That Progress Will Be Made in the Eighth Round of Talks"]

[Text] While attending a ceremony yesterday (20 July), Zhu Yucheng, deputy director of the XINHUA NEWS AGENCY Hong Kong Branch, said that since the major principles for the Sino-British talks on arrangements for 1994/95 elections in Hong Kong have been laid down, discussions of the specific matters will be easy. The Chinese side hopes that positive results can be achieved at the eighth round of talks.

When Zhu Yucheng was asked yesterday by reporters about his expectations for the eighth round of Sino-British talks, he replied that the Chinese side has always hoped for good results in the talks. During British Foreign Secretary Douglas Hurd's visit to Beijing, President Jiang Zemin met with him and clearly stated these points. Both China and the UK should stand on a high plane, see far ahead, and resume mutual cooperation. We hope that substantial progress can be made at the ongoing eighth round of Sino-British talks on arrangements for the 1994/95 elections in Hong Kong.

Whether an agreement can be reached does not depend on the Chinese side alone, as it is a matter of both sides, Zhu said. The Chinese side wants to see good results. As

next year is 1994, instead of stalling, the Chinese side wants an agreement reached as soon as possible.

As to Hurd's remarks that the two sides should focus their talks on the election committee, functional constituencies, and the "through train," Zhu Yucheng said "the questions of the election committee and functional constituencies were stated in the Annex of the Basic Law and the letters exchanged between the foreign ministers of the two countries. In fact, the major principles have been laid down, so discussion of the specific matters should be easy. However, the question of the "through train" is a matter of the Preparatory Committee and the authority of the matter lies in the Preparatory Committee." He hoped that the talks would be focused on arrangements for the 1994/95 elections.

A reporter asked whether the questions of the election committee and functional constituencies could be easily resolved, Zhu Yucheng's said: Yes, that is correct. Since the major problems have been settled, these can be readily resolved.

Chris Patten To Travel to London 27 Jul

HK2007120093 Hong Kong AFP in English 1136 GMT 20 July 93

[Text] Hong Kong, July 20 (AFP)—Hong Kong Governor Chris Patten is to leave for London on July 27, as Beijing and London continue efforts to reach agreement over his plans to increase democracy here, a government spokesman said Tuesday [20 July]. The spokesman said Patten would have meetings with ministers and foreign office officials, but did not elaborate apart from saying he would meet British Foreign Secretary Douglas Hurd on July 29.

The announcement came as the Chinese and British Governments started Tuesday their eighth round of negotiations over Hong Kong's democratic reforms, planned by Patten for implementation ahead of China's takeover of the British colony in 1997. China has expressed bitter public criticism of the plans, including personal attacks on Patten, and in rejecting Patten's plan to broaden the electoral franchise has warned that it will replace the Hong Kong government and legislature in 1997 unless he backs down.

Patten travelled to London in late June for talks with Prime Minister John Major on Hong Kong, which a government statement described as "consultations" following the fifth round of Sino-British talks. Patten is expected to return to the territory August 31 after a holiday.

The current Sino-British talks are the first since Hurd and Chinese Foreign Minister Qian Qichen agreed at a meeting in Beijing this month that the talks should be pushed forward. Britain's ambassador to China, Sir Robin McLaren, said the Qian-Hurd meeting had "given some new impetus to our work." But even if the two sides reach an agreement soon, it must be passed by the

Hong Kong legislature, the Legislative Council, which goes into summer recess Wednesday until October 8.

Finance Secretary Discusses Colony's Economy

HK2107055693 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 21 Jul 93 p 5

[Interview with Hamish Macleod, Hong Kong financial secretary, by Peter Seidlitz, correspondent of the German financial daily HANDELSBLATT; place and date not given; first two paragraphs are editor's note]

[Text] In a wide-ranging interview with Peter Seidlitz, Hong Kong-based correspondent of HANDELSBLATT, the German financial and business daily, Hong Kong's Financial Secretary Hamish Macleod this week gave his answers to some of the key questions facing the territory.

The following questions, covering subjects including the likely effect of China's austerity measures on Hong Kong, inflation, the high rent issue, and the recent developments on the property and stock markets, were put to Hamish Macleod by HANDELSBLATT.

[Seidlitz] What consequences will economic contraction in China have for Hong Kong?

[Macleod] We are very much focusing on that at the moment. It is the one new development in the last few months which will affect our future growth. It is probably fair to say that we will have a reduction in GDP of about one percent.

The effects of the measures taken by China will be felt most probably not this year, but next year.

If you look back at what happened last time there was an austerity programme in China it took about five quarters to recover from. Then the growth came up again.

With a bit of luck and a bit of skill the unavoidable dip in GDP growth should not be long lived. That's the reason we are not too pessimistic.

After the dip we will be back into a rather strong growth in China. But, of course, it's not an easy task for them. But it is encouraging that they recognised that there is a problem. And that they are dealing with that. We are not too alarmed.

[Seidlitz] Will there be effects on the property and stock markets in Hong Kong?

[Macleod] The signals are out that the property market in China will be one of the targets. But I don't think that our own property companies are very heavily exposed in China compared to what they have got here.

[Seidlitz] Are you saying that Hong Kong companies who daily announce projects in China are in fact not really putting money into China?

[Macleod] They have projects in China. But they have not necessarily spent enormous sums yet in China.

[Seidlitz] Where is the money going now: in or out of China?

[Macleod] I don't know. It is difficult to tell. It's quite clear that there are movements in both directions. But we don't have exchange controls.

In property the reports are conflicting. There are reports that investment is beginning to dry up. Given the possibility that the renminbi will, in the longer term, continue to come down in relation to other currencies you will expect some movements out of China into Hong Kong.

[Seidlitz] Do you call this flight money?

[Macleod] I don't call it anything. We don't have a term for it. The main issue is always (how it affects) property. After all we had an inflow of Japanese money in this sector. That pushed prices up for awhile and then it slowed down. Then we had an inflow of Chinese money which might be going down now.

[Seidlitz] Inflation is certainly hurting. The Hong Kong dollar is losing value, to make business here very expensive and rents are insane. You seem to be helpless to do anything about it.

[Macleod] Inflation is high and we don't like it, but there are some encouraging signs. We forecast 9.5 percent, but the figures now run at about 8.5 percent. It has come down quite a lot from the peak of 13.9 percent.

And it is true if you are going to look where it is pinching and where not you get a mixed picture.

For construction projects the tender prices at the moment are coming down. They are even lower than we expected. So we have been in a comfortable situation on the airport project. All tenders have been below budget. That is a rather extraordinary achievement.

[Seidlitz] But this is not the whole picture?

[Macleod] Yes, office rents are quite high at the moment. And it is also, of course, true (that) salaries and wages are quite high. How this is going to hit companies who are already here or moving here varies a lot.

We looked at Singapore and compared as a test the attraction of Singapore to Hong Kong. The study shows that if you took into account everything—taxation and office costs—we are still attractive as an regional office destination.

[Seidlitz] What about industry?

[Macleod] If you look at the export price index the figure shows that inflation insofar as it is affecting export prices has been quite low, going up only one or two percent a year. The same goes for the import price index.

Other prices, of course have been going up: Prices in restaurants, apartments and offices, fresh vegetables. The question at the end is: Is it seriously hurting us?

The answer has to be: Not too seriously. And the proof is that we are forecasting 5.5 percent GDP growth. The business is still going on, the profits are still made, the revenues are flowing rather nicely and the stock market has been performing well.

[Seidlitz] But what can you do about inflation?

[Macleod] We have been rather honest on that. There is a limit to what we can do about it. The standard explanation for our inflation to which I subscribe is that there is simply the pressure of demand and limited supplies of land and labour. We have done something on both.

As far as expenditure is concerned we stick by the rule of the thumb that the rate of the increase of public expenditures matches the rate of growth. But we are not claiming that this will have the magic effect and reduce inflation to European levels.

[Seidlitz] With this inflation rate you create a society where the property owners are getting extremely rich and those who have nothing are squeezed.

[Macleod] The employees are getting richer every year, look at the wages. The standard of living is going up and not only for those who happen to own the factories. It is true that because of the high prices of domestic flats that we had to take special steps to try to deal with this problem; lower lending on banks on mortgages and the sandwich-class housing scheme.

Hopefully these are only medium term requirements, because house prices will like everywhere else, come down as they happen to be at the peak at the moment. Hopefully in a few years the market will have cooled off again.

[Seidlitz] Could you tax the rich property owners high, hit them with a special tax or free more land?

[Macleod] We have in Hong Kong an odd situation on the land issue. We have a joint agreement with the Chinese side as to what we release. We have released more land than the 50 hectare guideline. There is a limit to what we can do.

A spin-off from what is being done at the airport will be the extension of infrastructure on this side of Hong Kong and Lantau, including the new town next to the airport. This whole area will become more attractive, especially for residential development.

[Seidlitz] What about new taxes for the rich?

[Macleod] There are some legislators who argue there should be a capital gains tax specifically on property but I am very cautious about any fundamental changes in the

taxation system. We consistently argued we need predictability. We have a nice simple low tax system and I am quite reluctant to introduce a new tax.

We certainly do not have any concept of heavily taxing the very rich. We are aware that the low tax system has brought us success.

[Seidlitz] How much money will you have left in your various funds by 1997, and what are the arrangements as to who will get their hands on this fortune. Can China add this money to their foreign currency account?

[Macleod] We can't add all the funds together. The fiscal reserves, meaning the surplus of the budget, will according to our forecast reach HK\$78 [Hong Kong dollars] billion in 1997.

[Seidlitz] Is this figure still valid?

[Macleod] Yes, until I revise it. This account and money we will hand over to the SAR [Special Administrative Region] government. The SAR government also gets the balance in the land fund. We have a figure here and estimate it to be around \$80 billion by 1997. It's only an estimate.

Separately we have the Exchange Fund which at the end of 1992 stood at \$287 billion—up roughly 22 percent compared with a year earlier.

You can't add up the balance from the Exchange Fund with the other two figures. That would be misleading. For instance some of the fiscal reserves are deposited in the Exchange Fund. So you would be double counting.

And the Exchange Fund is not used to meet expenditures. It's there to back the currency. These are all Hong Kong's assets and handed over to the SAR government.

[Seidlitz] Will not, after 1997, these funds be transferred to Chinese banks? I presume they are now invested with British institutions like Hong Kong Bank and Standard Chartered.

[Macleod] In theory a lot of things can be possible. The decision on how to invest the money in the Exchange Fund is taken by a committee which I chair. It has a number of bankers on it.

[Seidlitz] How do you have this money invested?

[Macleod] We don't actually announce that. But the majority of it is in US dollar dominated investments. Some of it is put out to fund managers. And some is managed by ourselves.

[Seidlitz] What return are you getting on it?

[Macleod] We don't issue a figure on that because people then will compare this to an investment trust. But our money is not an investment trust, of course.

[Seidlitz] Is China going to use Hong Kong as the main financial centre after 1997?

[Macleod] Hong Kong will stay a major financial centre. But China will develop their own financial centres. Clearly we will have the Hong Kong stock market here and others in China. The banking industry is in transition in China. We saw the change of leadership in the People's Bank.

[Seidlitz] Are you satisfied the way the various Chinese companies have come into Hong Kong through front and back doors?

[Macleod] We had two successful listings. One largely oversubscribed, the other modestly oversubscribed. There are others waiting in the queue. We are happy to see this happening. It will make the Hong Kong stock exchange more attractive to investors.

These back-door listing are not really back-door. If they buy a large quantity of shares then they have to go through the procedures, they can't bend the rules simply by buying shares. I would be surprised to see many more so-called back-door listings.

[Seidlitz] The Governor gets a lot of advice from China. As they have a financial crisis right now can you advise them on how to get out of their mess?

[Macleod] I am certainly not giving China advice. They don't actually give us actually much advice. [sentence as published] They have very different problems to the ones I face. The inflation is their number one problem.

[Seidlitz] You have started your consultation on next year's Budget. Any preview?

[Macleod] I am starting the process of consultation, particularly with Legco members. First about expenditures, later in the year we consult them on revenues. And we have to have a look at the size of the cake.

Guangdong Sentences Hong Kong Drug Traffickers

HK1807023293 Beijing ZHONGGUO XINWEN SHE
in Chinese 1317 GMT 30 Jun 93

[By reporter Hu Yaohua (5170 5069 5478) and correspondent Ge Qizeng (5514 0756 1073): "Three Hong Kong Drug Traffickers Sentenced to Death in First Trial"]

[Text] Guangzhou, 30 Jun (ZHONGGUO XINWEN SHE)—Four Hong Kong residents were given heavy penalties for drug trafficking by the Guangzhou Intermediate People's Court, of whom three were sentenced to death and one was given a sentence of life imprisonment.

The three criminals sentenced to death were: Chou Chiao-du [0719 2890 6757], male, aged 34, whose address was Battery Street, Kowloon, Hong Kong; Tsai Chih-chu [1390 1807 6880], male, aged 30, whose address was Nassau Street, Mei Fu Sun Chuen, Kowloon; and Lin Wei-kuang [2651 0251 0342], male, aged 42, whose address was Yee Wai Building, Ching Yi

Village, New Territories, Hong Kong. The criminal given a sentence of life imprisonment was Wu Ming-hsin [6762 2494 2450], male, aged 23, whose address was Kau Wa Keng Upper Village, Kowloon, Hong Kong.

The verdicts on the four accused Hong Kong residents were made by the Guangzhou Intermediate People's Court on International Antinarcotics Day, which was 26 June this year.

According to the materials the court provided, the accused Chou Chiao-du, Tsai Chih-chu, and Lin Wei-kuang had planned together to bring HK\$240,000 from Hong Kong to Guangzhou on two occasions in early March 1990 and bought 4,080 grams of heroin through the accused Chen Huirong [7115 6540 2837], a mainland. Then the heroin was smuggled to Hong Kong from Shenzhen through a Hong Kong "container" driver "Ah Kau," and a Hong Kong resident, nicknamed "Shrimp." On the afternoon of 16 March, the accused Lin Wei-kuang was uncovered and rounded up by the mainland police when he was about to take a train to return to Hong Kong to get the heroin in question.

In addition, the accused Chou Chiao-du, and Tsai Chih-chu participated in major drug-trafficking activities in Guangzhou in 1989.

Summarizing the above, the accused Chou Chiao-du had on three occasions participated in drug-trafficking, involving a volume of 22,840 grams of narcotics. The accused Tsai Chin-chu had on three occasions participated in drug-trafficking, involving 2,284 grams of heroin, and peddled heroin on seven occasions, involving 24,440 grams of heroin; together, he had trafficked and peddled 45,440 grams of heroin. The accused Lin Wei-kuang had on two occasions engaged in drug-trafficking, involving 4,080 grams of heroin, and the accused Wu Ming-hsin had on two occasions participated in drug-trafficking, involving 4,080 grams of heroin.

The accused Chen Huirong, a mainland in the same case, and another accused, a mainland, were sentenced to death, and capital punishment with probation, respectively.

Article on Guangdong-Hong Kong Economic Ties
HK2007003293 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0937 GMT 2 Jul 93

["Special Article" by Mai Shilong (7796 5535 7893)]

[Text] Hong Kong, 2 Jul (ZHONGGUO TONGXUN SHE)—Since 1979, economic and technological cooperation has been constantly developing between Guangdong and Hong Kong, and this has resulted in extremely close, interdependent relations between the two sides. Hong Kong businessmen's investments in Guangdong have contributed to local economic growth. Statistics show that Hong Kong investors have established more than 20,000 nonlocal-funded enterprises in Guangdong

over the past 14 years, with a total investment value of nearly \$40 billion. This figure represents more than 80 percent of the total foreign investment in Guangdong. After many years' cooperation, Guangdong and Hong Kong have not only made breakthroughs in developing ties in the fields of trade, investment, and production, but have also initiated extensive cooperation in such areas as finance, tourism, science and technology, information service, and large infrastructure project construction. Nowadays, Hong Kong has emerged as the largest nonlocal investor in Guangdong, the largest market for Guangdong exports, and a major channel for the province to explore the international market. Meanwhile, Guangdong, with its relatively high capacity in processing industries, has become an industrial processing base for Hong Kong and an important magnet for money from Hong Kong.

However, an overview of the status quo of the economic and technological cooperation between Guangdong and Hong Kong leads to a conclusion that this cooperation is still working at a relatively low level and does not match the current economic development of the two sides.

First of all, cooperation is covering only a few trades and the scale of operation is small. Economic and technological cooperation between Guangdong and Hong Kong is mainly concentrated on the fields of trading and processing, and so far no breakthrough has been achieved in cooperation in such fields as finance, science and technology, and tertiary industry.

Second, cooperation has been conducted at a relatively low level. Cooperation has taken place on a nongovernmental and spontaneous basis, with little planning and coordination. The form of cooperation is basically a vertical division of labor characterized by the mode of "Hong Kong as the shop in the front and Guangdong as the workshop in the rear," which has not resulted in high-level cooperation enabling the two sides to give full play to their own advantages and to complement each other.

Third, there are some factors on both sides which are unfavorable to cooperation. The upgrading of industries in Hong Kong has been delayed for quite a long time, and Hong Kong's status as a world trade, financial, and transportation center has been facing challenges from Japan and Singapore. On the part of Guangdong, its infrastructure cannot meet the needs of economic development, its local economic and trade legislation is unsound, how the legislation operates is little known to the public, government organs' operational efficiency is poor, and both land prices and labor costs are increasing.

How can Guangdong Province's advantages in economic development reemerge so as to upgrade economic and technological cooperation between Guangdong and Hong Kong, to augment the scale of cooperation, and to expand the field of cooperation? This has drawn great attention from the Guangdong authorities. This reporter

has learned from the department concerned of Guangdong Province that the authorities have already proposed a six-point policy in order to promote economic and technological cooperation between Guangdong and Hong Kong. This six-point policy is:

(1) A change will be made so that foreign-funded enterprises can more easily be registered and begin operation. The department in charge of foreign economic relations and trade will delegate to the lower levels the power of examining and approving projects, while the industrial and commercial administration will simplify registration procedures, introduce regular operation procedures, make official operations known to the public, reduce restrictions on the range of foreign investments, and intensify inspection and supervision of the personnel concerned, so as to curb practices of handicapping foreign investors.

(2) Functional service trades will be developed in anticipation of future demand; preferential policies will be formulated to encourage Hong Kong people to run consultative and information services, accounting, legal service, and advertising trades in Guangdong; state-run and collectively run enterprises will be allowed to recruit personnel from Hong Kong; the pace will be sped up to formulate economic and trade laws and regulations; and international practice will be followed in cooperation so as to develop some codes of conduct that are favorable to coordination between the two sides.

(3) A sound financial market will be developed before a joint Guangdong-Hong Kong financial market network is established; efforts will be made to cultivate a fine financial environment, and to continue to attract foreign-funded financial institutions from Hong Kong, and

gradual measures will be taken to allow them to expand their business operations; Guangdong's banks will actively promote inter-bank foreign exchange loan services.

(4) With its favorable geographical location, Guangdong is to let its enterprises march on the international market, will try its best to authorize capable enterprises to run import-export business on their own, delegate to the lower levels the power of examining and approving applications by professional personnel for travelling abroad, and authorize Guangdong-based enterprises to send their staff members abroad on business trips, with all the relevant but unreasonable restrictions rescinded.

(5) Some policies will be adopted to support cooperation with foreign parties in the field of science and technology and to encourage scientific and technological research bodies to join investment promoting symposiums sponsored by the government, outstanding achievements in scientific and technological research will be presented to attract investments from Hong Kong, and Hong Kong businessmen will be allowed to run scientific and technological development centers in Guangdong, so that Hong Kong's advantages in terms of capital, information, and markets will be combined with Guangdong's superiority in science and technology, which will in turn expedite the transformation of scientific and technological achievements into commodities.

(6) Efforts will be made to intensify feedback of investment information between Guangdong and Hong Kong and to improve organization and coordination; a quasi-official Guangdong-Hong Kong economic cooperation promotion organization will be set up after the model of the Hong Kong Trade Development Council and the Hong Kong Productivity Council.

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